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MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1730

A BILL TO CREATE AN OFFICE OF DEMOBILIZATION, ESTABLISH GENERAL POLICIES FOR THE OPERATION OF THAT OFFICE, PROVIDE FOR THE SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS, PROVIDE FOR THE DISPOSAL OF SURPLUS GOVERNMENT PROPERTY, AND FOR OTHER PURPOSES

S. 1823

A BILL TO ESTABLISH AN OFFICE OF WAR MOBILIZATION AND ADJUSTMENT

PART 1

APRIL 26, 1944

Printed for the use of the Committee on Military Affairs

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

WEDNESDAY, APRIL 26, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE
OF THE COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met at 10:30 a. m., pursuant to adjournment, in room 357, Senate Office Building, Senator James E. Murray (chairman of the subcommittee) presiding.

Present: Senators Murray (chairman of the subcommittee) and George.

Also present: B. M. Gross, staff director, subcommittee.

Senator MURRAY. Gentlemen, the hearing will come to order. We are expecting other Senators; but they may be delayed. We have a long program this morning and I think we ought to get started now.

I have a brief statement for the record.

During the previous 3 weeks our War Contracts Subcommittee, assisted by members of Senator George's Post-War Planning Committee and of the House Judiciary Committee, has been hearing detailed testimony on the two post-war adjustment bills before the committee, S. 1730 and S. 1823.

These hearings have brought out, in a very striking fashion, the fact that many basic national policies governing the conduct of the war and the transition from war to peace are completely unsettled. The result is confusion among the executive agencies of Government and uncertainty on the part of business, labor, and agriculture.

Today, there is no clear policy on war production cut-backs. There is no adequate policy on the allocation of materials for civilian production. There are no settled policies on the disposal or utilization of surplus war property.

Other hearings and investigations conducted by the committee have brought out the fact that there is no adequate policy or program on the control of costs under war contracts, whether cost-plus-fixed-fee or fixed price. This is a question of fundamental importance to our plans for post-war employment. Curtailing wasteful practices in war production will lead toward more efficiency in conversion to peace and toward the low price levels that are essential to peacetime prosperity.

It is evident, therefore, that the Congress must soon provide clear policies for the guidance of the executive agencies on matters of war-production cut-backs, allocation of materials, surplus-property utilization, and the curtailment of wasteful practices under war

contracts. S. 1718, the contract termination bill, proposes to settle basic problems of policy with regard to contract termination, and many witnesses are recommending similar congressional action in those other fields.

With regard to the organizational aspects of the legislation proposed in S. 1730 and S. 1823, a large variety of suggestions are now before the committee. These include (1) An Office of Demobilization which would operate under the Office of War Mobilization for the duration of the emergency and be independent thereafter; (2) an Office of War Mobilization and Post-War Adjustment, which would supplant the present Office of War Mobilization; and (3) a Peacetime Production and Employment Board, which would be independent of the Office of War Mobilization and concentrate on programs for post-war production and employment.

Varying proposals have also been received on the scope and powers of this new agency. On the one hand, it has been suggested that the agency should have limited scope and little power. Such limitations are necessary, it has been contended, in order to prevent the overcentralization of Government power and to preserve the proper functions of established executive agencies. On the other hand, some witnesses have proposed that the scope of the agency's interest be as broad as our country's economic problems and include such fields as taxation, public works, and housing. Some have proposed that within these broad fields the new agency be given strong power to decide policies and initiate programs.

We have also heard conflicting points of view with regard to the question of representation for various economic groups on a top policy board and the question of whether such a board should advise the director or whether the director should be responsible to the board.

During this week and the week to follow, we shall hear from many leading citizens who will unquestionably aid us in arriving at proper conclusions on matters of both national policy and administrative structure.

Today, we will receive testimony from two outstanding leaders of American labor, the president of the Congress of Industrial Organizations and the president of the United Automobile Workers Union.

Mr. Philip Murray will be our first witness.

STATEMENT OF PHILIP E. MURRAY, PRESIDENT, CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. MURRAY. I have a prepared statement I wish to follow. Before reading the prepared statement, I should like, with your indulgence, to present to the committee just a few matters that do not appear in the written paper. They have to do with full employment after the war.

I fully understand that most of the responsible groups in public life today are sincerely applying themselves to the task of preparing plans designed to provide full employment at the end of the war and each one of those groups, I assume, is performing its own particular task with due regard to the national welfare.

Whatever I may have to say, therefore, with regard to that matter is predicated wholly upon a common belief in the ranks of the labor

organizations that I am privileged to represent, that our union, and I speak now of the C. I. O., in the submission of proposals designed to provide full employment has in mind only one thing and that is the national well-being.

I think that we all agree that the victory will not necessarily be confined to defeating our common enemies on the global battlefields but that necessarily the energies of the Nation should be applied to obtaining victory here at home. Hence, the hope and desire on the part of the representatives and members of our organization is to make whatever constructive contributions we can in defining methods that should be pursued with reference to building up the largest possible maximum income obtainable during the post-war period. Our organization, therefore, lends wholesome support to the suggestions that have been offered the committee by Senator Murray and by the proponents of the other pieces of legislation now before this committee.

With that thought in mind, I believe it is well that we should give consideration to the development of practical plans, plans that are easy of understanding, plans that will meet with the approval of the people, all of which are calculated to provide full employment during the post-war period.

It may have been suggested to the committee in the course of its hearings that there is a definite danger of tremendous mass unemployment in the new war industries at the end of hostilities, that being particularly applicable to the aircraft industry and yet, it seems to me, that common sense should lead the leaders of industry and labor and also our leaders in the field of statecraft to the belief that the aircraft industry, as such, is in its infancy and that there are splendid opportunities for the development of that gigantic industry at the end of the war providing suitable plans of design, calculated to increase the output of commercial and private airplane construction, be made.

It is within the realm of possibility that with a combination of private investment and Government loans, plus the building of thousands of local airfields throughout the Nation, this air-minded country of ours can proceed now toward the perfection of planes designed to keep the aircraft industry going at full swing immediately after the war ends.

Senator MURRAY. Do you mean it could be kept at its present rate of production?

Mr. MURRAY. Undoubtedly so, and I believe it could not only be kept at its present rate of production, but it can exceed that rate of production, providing the ingenuities of the leaders of industry, together with Government, are utilized to build the engines and the planes necessary to keep the wheels of that industry in motion.

I am conscious of the fact that it may become necessary for the aircraft industry to produce the cheaper type of plane, designed to meet the needs of the private citizen and that there will be an immediate response on the part of millions of our young men to the crying need of purchasing transportation of that description, just as they did the cheaper automobile in the old days.

I have no particular degree of apprehension concerning the fate of the aircraft industry, providing the ingenuities of our Government, industry, and labor are fully utilized to develop that kind of an enterprise at the end of the war, thereby continuing for that industry the fullest amount of employment.

Senator MURRAY. Does the management of that industry now share your views?

Mr. MURRAY. I cannot say, sir; I do not know.

Senator MURRAY. I can conceive of a vast expansion of the airplane industry in connection with commercial transportation, both of a passenger and freight nature, of course. I believe, also, as you have stated, there could be a very considerable expansion in the production of private planes for private use.

Mr. MURRAY. Unquestionably so, and I believe that that is just as inevitable as the rising and setting of the sun.

We are living in an air-minded world. The end of the war will find millions of these young men grasping for opportunities to utilize the advantages of this newer mode of travel and purchase a type of plane that might be manufactured at something like approximately $1,000 for their own personal use in traveling throughout the Nation.

That is an idea. It necessarily has to be defined and people who manifest interest in the promotion of post-war planning must not confine themselves to the slogan of full employment without accompanying that suggestion with some constructive, creative idea designed to provide full employment.

It is well and good to dwell in the realm of preparation of charts, and so forth, but unless there is a creative idea behind it, an idea that the people will respond to, a popular idea, a practical idea calculated to provide the thing that the people want, and that is employment, full employment, then the plan of itself will fall of its own weight.

Another matter that attracts the attention of the representatives of our own organization is this question of housing, which of itself is tremendously important. I do not think that the ideas of business with reference to the construction of new homes should necessarily be confined to the building of the old type of house. Newer ideas with reference to home construction must come out of this situation to expand our economy and to provide the fullest degree of employment.

Our organization has at the moment under consideration some well-defined plans on national housing, not necessarily public housing, but a combination, let us say, of both private and public housing.

To undertake a comprehensive system of private housing, it is absolutely essential that wages be maintained during the post-war period at the highest possible level to enable people to purchase homes, put down their installment, and pay off their obligations regularly.

As to other modes of transportation, particularly the railroads, one can readily see there the greatest opportunities imaginable for expansion in our railroad systems.

True, there must be new equipment, there must be more modern equipment, there must be the type of equipment that will reduce the cost incident to transportation. It is estimated that approximately 50 percent of all the track, all of the freight cars now in use on American railroads are over 25 years of age. That type of equipment is completely outmoded.

It is interesting to note the post-war planning already undertaken by railroads like the Union Pacific, which proposes to modernize its entire railroad system. If other railroads follow that pattern throughout the Nation, with proper governmental assistance where it may be necessary, the older equipment which is now in use can be made available to other countries more backward than we are in that

regard. Those countries need this type of equipment and need it badly and this outmoded equipment which we are now using in the United States could very well be utilized by many of those other countries for their immediate post-war needs and their immediate programs of economic rehabilitation.

These are concrete suggestions that I do not believe entail too much planning. They merely encompass the need of getting the interested groups together and effecting, with the assistance of a committee such as this, the promotion in a legislative way of the ideas that our C. I. O. movement is trying to inculcate here for full employment and post-war planning.

There is another point to which I should like to make reference that is not included in the paper, and that is the C. I. O. plan with reference to the maintenance of the highest possible wage level.

Unfortunately, material in the public prints would create or attempt to create the impression in the public mind that the take-home pay of war workers during the war period has reached such a large height that no consideration should be given to the equation governing the life of the individual who is now receiving the larger take-home earnings. It must be borne in mind, and I believe rightly so, that the man who is working 48 hours to 54 and 55 and 60 hours a week today is going to have a shorter life than the fellow who ordinarily works 40 hours per week. We will reach the industrial scrap heap a few years sooner than he ordinarily would.

The Congress of the United States, in giving consideration to the needs of American industry, have already made provision in certain legislation and enactments to protect the interests of the industrialists or manufacturers, whose machinery has deteriorated due to overuse. Money is provided to take care of that sort of a situation. No special consideration has been given to the human machine by the Congress of the United States, where that machine inevitably breaks down due to overuse and the terrific strains incident to the greater work that he has to perform to meet the requirements of his country during a period of war.

Senator MURRAY. And that in its turn has its effect upon industry.

Mr. MURRAY. Unquestionably so. It affects industry from the standpoint of its efficiency. It ofttimes constitutes a drag, not only upon the human machine, but upon industry as well.

I shall endeavor in the course of this paper—while reading this paper—to point out a few of those factors in order that your committee may have a greater appreciation of the problems that the average citizen has to contend with in his struggle to live during a war.

Above and beyond all of our domestic problems today is the problem of maintaining full production and full employment at current high levels of production. We must do this to back the invasion, to win the war, and to win the peace.

As cut-backs increase we shall need an established national policy to prevent disruption of war production. Such a program must be carried out by a central office, an office of war mobilization and adjustment, if our returning servicemen and our war workers released by cut-backs are to have expanding job opportunities.

The situation already developing is a challenge to the whole country, but especially to our "free enterprise" economy. The right of a man to a job at adequate wages must be recognized by American industry.

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The individual and his home and his family must be protected from the miseries which trail in the wake of unemployment.

Only so long as American industry recognizes its responsibility to the American people can it expect to enjoy its special benefits and privileges. The C. I. O. is on record as supporting the "free enterprise" economy. But in our definition such an economy is not a tool to be used merely to serve the special interests of the owners and managers.

Business is privileged to enjoy reasonable profits to be derived from serving the needs of the people. It has an obligation today to provide them with full employment. We are willing to cooperate with American industry in their attempt to derive reasonable profit, provided they live up to their obligations, but we propose that the responsibility shall be placed where it belongs. If industry fails, the American people will give expression to their protest. Let industrialists either deliver the goods with America's gigantic war-born productive capacity or be prepared to give others a chance to use it.

The American people expect that the workers in war industries, the workers throughout our economy today, and the returning servicemen will be able to maintain themselves after the war at constantly increasing levels of income.

We deplore all efforts to return this country to an economy of scarcity such as limited our efforts before the war. We believe, moreover, that any attempt to return to a scarcity economy will produce the most serious effects within this country. It cannot be done and it must not be attempted.

There are within the American business community important elements capable of running an expanding economy with the cooperation and assistance of representatives of the entire American people. These elements must be given an opportunity to demonstrate the productivity of which they are capable. If we arise to this occasion America in the post-war period will lead the way to the entire world and generate a new period of prosperity throughout the world such as none of us could have imagined before this terrible war began.

To make this job possible, we need the passage now by Congress of a bill which creates an administration directed to seek full production, full employment and full consumption, on a rising standard of living.

The necessary legislation is embodied in Senator Kilgore's war mobilization and post-war adjustment bill S. 1823 whose passage we urge as part of a single bill embodying it and the Murray-George contract termination bill S. 1718. I shall discuss this in more detail later in my remarks.

Senator MURRAY. At this point, Mr. Murray, Senator Kilgore has handed me, through one of his secretaries, a committee print of a proposed bill to revise titles I and II of Senate bill 1823. I will ask that it be incorporated in the record following your remarks.

To lay down and direct the execution of general policies to achieve these objectives of war mobilization and adjustment we need a national board, representative of labor, business large and small, and agriculture. Such a board should have the maximum of authority compatible with execution of the job. An executive director will be needed to centralize the work of the several agencies charged with the work of manpower demobilization, disposition of war plants and property, direction of war production, and allocations and priorities on materials.

But the final authority must rest with the board on general policies governing:

(1) The establishment of voluntary goals for maximum production, employment, and capital investment in the transition and post-war periods.

(2) The termination of war contracts.

(3) The utilization or disposition of war property.

To make the task of the national board possible, a bureau for the formulation of programs is needed to supply technical information to the board and the executive director. This bureau would act as a central clearinghouse to bring together all available information from public and private agencies, Federal, State, and local.

From this bureau the board would derive the information on which to formulate voluntary goals for maximum production. During and after the war, American business must be encouraged to set itself the objective of expanding output as rapidly as possible, industry by industry.

At the start of the war we failed to control the program of war production by means of a centralized agency and a planned national program. We arrived at the notion of a centralized agency only piecemeal by halting steps during the war effort. The result of this delay was the waste of manpower, the waste of facilities, the waste of resources and the overwhelming costs of these various wastes, not only to the Government but to the economy as a whole.

Labor early supported a program for a central agency for war mobilization.

Now, as we enter the period of cut-backs, the detailed programing of the return to peacetime production should be carefully worked out by one central agency. That means that cut-backs must be planned in relation to manpower needs, the extraordinary emergencies of further war production, the problems of small business, the essential needs of civilian workers and perhaps above all—as a promise for the future—in relation to the increased needs of our foreign requirements and foreign trade. Programing of cut-backs is an exercise of our will to keep the economy going at full production, and I think that the lessons that we learn in this will carry over into the post-war period. Industry by industry we must prepare to match cut-backs with expansion of production.

To make such expansion possible we shall need to join together with the board and the bureau of programs a system of industry councils in each of the basic industries. These should include management, labor, and wherever appropriate agriculture should also be represented. From such councils should come comprehensive programs for achieving voluntary production goals.

The national board will stand or fall on its use of certain powers which must be included in any bill if labor is to lend its support. These powers include the right of every member of the board of full access to any information gathered by the several production agencies, the right to an adequate staff for each board member so that he may keep himself fully informed, and the power to call officials of the office and its constituent agencies before the board.

Among the problems to which the board must devote its early attention are the relations of termination of war contracts, the making of cut-backs, and the disposition of war properties to the general program for an orderly transition to a post-war economy. All of these operations which are primarily concerned with property relationships have the utmost importance not only for owners and managers but for the community as a whole.

We are well aware of the importance of carrying out these operations on behalf of property with the utmost dispatch. We must point out, however, that if these operations are too narrowly conceived they will result in the recreation of a scarcity economy after the war. These measures can only be justified as a means of clearing the decks for an expanded economy.

The acceptance by labor and other groups in the community of a "free enterprise" economy cannot extend to the strengthening of a scarcity economy. We will do everything that is compatible with our role in the community to assist those elements in business who desire an expanding economy. The C. I. O. has already gone on record as favoring speedy contract settlement, adequate provision of reconversion credit, speedy removal of war goods and materials from the plants of war producers.

We especially recognize the needs of the small subcontractors, and urge this committee to pay particular attention to the needs of those small businesses which have contributed to the war effort. They need to have their position strengthened by legislation, and where necessary and possible, they should have a chance to appeal against alleged unfair treatment or delays by their prime contractors. And some will need quick financial settlement of their claims in part or whole where they cannot get it from their prime contractors. Probably these smaller businesses also need access to Government guaranteed credit or even direct financial assistance for reconversion. We congratulate Senator Murray on the provisions in S. 1718 which protect small business in its contract terminations.

Side by side with provisions for demobilizing the firms and corporations which have had the contracts for war production, we need to prepare for demobilizing our manpower and woman power, not only from the armed forces but from war industry.

It may be worth while at this point to pause to reflect once more upon the magnitude of the job ahead of us as we go down the road from war to peace. We shall benefit from a better realization of what the war has done for the United States: In 1939 there were 40.9 millions gainfully employed including the armed forces. In 1943 there were 57.4 millions gainfully employed, including the armed forces (B. L. S. figures, excluding self-employed, proprietors, domestic servants and casual workers).

In 1939, we produced 52,799,000 net tons of steel; in 1943, 88,837,000. In 1939, we produced 2,141 military planes; in 1943, 85,920. In 1939, we produced 341,219 dead-weight tons of merchant shipping; in 1943, 19,296,000. In 1939, our railroads carried 364.7 billion ton-miles; in 1943, 772.4 billion. In 1939, we had a gross national product of 88.6 billion dollars; in 1943, 186.8 billion dollars.

In 1939, the steel industry employed 388,400; in 1943, 516,000; (includes blast furnaces, steel works, and rolling mills). In 1939, the aircraft industry employed, excluding engine makers, 40,000; in 1943, 720,000. In 1939, the ship-building industry employed 70,000; in 1943, 1,040,000. (All employment figures are the B. L. S. monthly averages for the years involved.)

In short, we cannot consider what we have today as full employment. We must regard those in the armed services as additional workers in need of jobs, as indeed they are. If we do that, we shall realize that we need to provide millions of new jobs, after the war. Our productive economy must run at high levels indeed if we are to have an orderly transition to an expanding post-war economy. Moreover, it will take time to shift more of our people into service jobs and professional employment, and properly to organize our educational and training programs to prepare them for the new economy.

Clearly, this will take the best efforts of our whole people, working together. A measure of statesmanship is called for, not only by the representatives of the American people but by the people themselves, such as we have never had to display in any period of our recent history.

I do not think it is too much to say that we face today, economically, a situation which is comparable in its breadth and depth to that which faced the Founding Fathers at the time of the Constitution of the United States.

Unless we arrive at solutions in our economic life as effective as those achieved politically by the Constitutional Convention of 1787 I hesitate to say what perils seem to me to lie ahead. I am not an alarmist. I have the utmost confidence in America, its institutions and its people. It is my studied judgment that we will emerge with a wholesome solution to the problems now confronting us. We cannot do so, however, especially now in the midst of the greatest war in history, without a unity which exceeds anything seen since the war began.

We find today growing pools of unemployment at the same time that we find alleged labor shortage areas. The representatives of various C. I. O. unions will appear before this subcommittee to portray the situation in their respective industries. They will demonstrate, I know, that industry by industry the lack of any adequate program for interconnected cut-backs and expanded war production programs is hampering war production and rapidly creating local crises which need never have arisen.

These developing manpower problems are not new, but they threaten to become more unmanageable if we do not tighten up the relationship of the various parts of our production program. Hitherto we have had the cushion of expanding war production.

To cushion the effects of a transition from war to peacetime operation, there is no substitute for high level production. But even at its most efficient this activity must be supplemented by adequate emergency unemployment benefits and educational opportunities for returning servicemen and dismissed war workers. It also calls for the continuation of a Federal system of employment exchanges, and the constant improvement of their operations to meet an increasing load.

Even when there is a job at the end of the journey, millions of our workers and their families will need transportation allowances, if they are to get a new start in a city far from their war job. Many of the members of the C. I. O. also are covered by contracts under which

their employers are obliged to pay dismissal wages, and it is necessary that any legislation on contract termination permit the payment of such contractual obligations.

It is of the utmost importance that we have increased emergency unemployment benefits for the period immediately ahead, the transition to peacetime operations. These benefits should provide minimum maintenance, full duration for the period of unemployment, and complete coverage of the working population. Title V of the Kilgore bill provides the minimum standards which we would endorse. Labor does not consider unemployment benefits any substitute for jobs, but in the period ahead there will be temporary unemployment of those transferring from war jobs to peacetime employment even at high production levels. We repudiate any proposals for dropping the American war worker or serviceman into the relief brackets, and insist on adequate benefit payments.

The Senate has already passed legislation to provide service men and women with emergency unemployment compensation benefits, which are to be provided by Federal payments which represent increases in most States of the sums ordinarily available for workers. The duration of benefits is also greatly extended. Because of the emergency character of post-war unemployment it is only proper that the Federal Government should supplement State benefit payments for a stated period during and after the end of hostilities. If this is done, Federal standards should be included in the emergency legislation. (The C. I. O. is already on record as supporting the Wagner-Murray-Dingell bill, but we feel that a section should be included in this bill to provide emergency unemployment compensation.)

No difference in unemployment compensation benefits should be permitted between civilians and service men and women. Moreover, these payments should be administered by the same agency, as I understand General Hines has already declared.

The C. I. O. has proposed an additional measure to cushion the transition and to establish a floor under community living wherever our members are organized. The United Steelworkers have taken the lead in this demand for a guaranteed weekly and annual wage. This is their contribution to economic security through full employment.

Such a demand can be met if the industry will produce on a regularly planned basis during peacetime as it is doing in the war. Moreover, in the case of the steel industry and indeed of practically all the larger firms in America today, refundable Federal taxes provide a backlog to make such guaranteed wages possible.

It is not necessary to elaborate here upon the benefits to the steel communities which would flow from an orderly payment of income to the workers in that industry. The whole community would be established on a new, firm footing, shopkeepers, small businessmen, professional groups, as well as the wage earners themselves.

We do not propose here that the annual wage be enacted into law. That is not our object. We believe it can be secured now in certain industries by collective bargaining, and the Steelworkers' Brief to the War Labor Board Panel includes that demand. We urge it to this committee merely as an example of the approach which Government and industry should accept and encourage as a means of solving our problems of transition.

Only an orderly program, largely voluntary in character, will carry us safely through the transition period. The guaranteed weekly and annual wage is one part of such a program. Congress should endorse it for various reasons, among others because of the public benefit deriving from elimination of unproductive direct relief payments.

The principle which the legislation now before this committee and especially S. 1823, recognizes is the need for sustained economic activity at the highest possible levels. This in turn depends upon placing the Government squarely behind such sustained levels of activity. Indeed, the more the Government succeeds in achieving its goal by merely acting as the intermediary for bringing the various groups in the community together for cooperative action, the less will actual Government intervention be needed.

The less successful the cooperative undertaking, on the other hand, the more will Government have to intervene. This means that heavy unemployment benefit payments, large scale make-work projects and the like will be a confession of failure, not of the Government necessarily, but especially on the part of the dominant industries.

We must recognize now that because of the magnitude of the task ahead, the production-employment board must be prepared with a broader program than is called for at any other moment of time. America's unfilled post-war needs are enormous. Many of them cannot be supplied by the activities of any one corporation or group of corporations, operating for profit. They are essentially needs of the whole community and the program must prepare to supply them as such.

These will include reforestation, soil and water conservation, prevention of stream pollution, regional flood control and power projects, highway construction, airport, and other projects. Our communities likewise call for a comprehensive program of urban decentralization, rehousing, and reconstruction to provide good shelter in pleasant environment for all groups. Private firms have their place in both planning and executing these programs but the major responsibility is public.

To accomplish these and other tasks which lie ahead we shall need a fiscal policy which will strengthen our full employment program. This means promoting the constant circulation of purchasing power. Only by such means can we relieve the burden of servicing our war debt. The higher the national income, the lighter the debt burden.

The war has seen the underwriting by the Government of extension of credit to war producers. The role of the banks has actually increased during the war, because of this underwriting. There are certainly lessons to be learned from this during the post-war period, especially in the field of foreign trade.

We cannot expect Uncle Sam, however, to prolong the demand for war goods, and in fact the decline in Government spending has already begun. For 4 years the effective demand from the Federal Government for all that war industry could produce has sustained an enormous boom, and brought us to our current unprecedented levels of production.

In the transition period ahead we shall need an effective substitute, and to carry this load we propose the passage of a comprehensive bill to create a production-employment board in an office of war mobilization and adjustment. We would also suggest modifying S. 1823

(Kilgore) to incorporate S. 1718, Senator Murray's contract termination bill, and include provision of a section on industry councils. I will not comment on the titles on disposition of surplus property now found in both S. 1823 and S. 1730 (George), since I understand that these are both being given further study and will be revised extensively.

If Senator Murray sees fit to introduce such a comprehensive bill as I have described, we shall be pleased to support him and those colleagues who join with him in sponsoring it.

In closing, I want to add that we of organized labor are keenly aware that the maintenance of prosperity wage levels requires the resolute protection of the right to organize and bargain collectively. Real wages, moreover, require price control until such time as an abundance of goods becomes available. For many in the community all of the foregoing measures will not suffice. Insofar as the program I have presented fails to make all Americans continuously self-supporting, there must be a comprehensive system of social security and public assistance, to protect everyone against the major hazards of life and to assure a steady flow of purchasing power from the beneficiaries.

I do not want to seem to suggest that all of these tasks must be accomplished by the legislation now before this committee. But I did want to try to convey to this committee our view that any legislation which may be passed here ought to be drafted with the larger problems of transition to the post-war world in mind.

Ours is a gigantic opportunity, and one which we can ill afford to let slip. There does not need to be a post-war slump in a world demanding such widespread reconstruction. The horizon of new building and equipment amounts to a new frontier, for a decade ahead. If we use that decade wisely we shall have a chance to consolidate our country firmly in an economy of abundance such as we did not imagine possible before the war.

To make good use of our opportunity we shall need the cooperative organization I have described. A production-employment board, a system of industry councils, and a bureau of programs will go far toward creating the machinery needed to do the job. The time to begin is now. There is no simple solution to our problem. It must be worked out by trial and error, in the day by day effort to maintain maximum war production while balancing up our employment and productivity by a transition to essential civilian production.

The members of this committee have a great opportunity to give the lead to Congress and the country by passage of legislation adequate to meet this enormous new problem. Organized labor pledges itself to support such a program vigorously and believes that it represents the demand of the overwhelming majority of Americans. The men and women in the armed forces, the workers in the war factories, the housewife who is maintaining the home front in these trying times all have their eyes fixed on the great new promise of America after the war. They ask only for the means to create a new post-war world. They know it is possible and they know the time to begin is now. The knowledge that it is in the making will strengthen our whole war effort.

(By direction of Chairman Murray the committee print of Senator Kilgore's proposed bill to revise titles I and II of S. 1823 is inserted in the record at this place:)

PROPOSED REVISIONS OF TITLES I AND II OF S. 1823

A BILL To establish an Office of War Mobilization and Adjustment

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "War Mobilization and Post-War Adjustment Act."

TITLE I

DEVELOPMENT AND EXECUTION OF WAR MOBILIZATION AND POST-WAR ADJUSTMENT PROGRAMS

SEC. 101. The Congress hereby declares that the objectives of this Act are—

(a) to achieve the necessary war production which is indispensable to the speediest victory through the maximum mobilization and utilization of the Nation's natural and industrial resources and of the manpower not in the armed forces, and through the wartime stabilization of the civilian economy;

(b) to insure that the great momentum of the war mobilization which is bringing victory to our arms will not be lost, but will be reconverted into a peacetime transition program providing for full production, full employment at adequate wages, and full consumption in a steadily expanding civilian economy with rising standards of living for all;

(c) to provide for the development of a unified program to secure the foregoing objectives, and the necessary coordination of the activities of the Federal agencies engaged in or concerned with production, procurement, distribution, or transportation of military or civilian supplies, materials, and products; economic stabilization; war production cut-backs; settlement of claims under terminated war contracts; disposition of surplus war property; resumption and expansion of civilian goods production; the training and placement of returning servicemen and civilian workers in war and peacetime industry and agriculture; and other programs affecting war mobilization and peacetime production and employment.

SEC. 102 (a) There is hereby established the Office of War Mobilization and Adjustment (hereinafter called the Office), at the head of which shall be the Director of War Mobilization and Adjustment. The Director shall be appointed by the President, with the advice and consent of the Senate, and shall receive compensation at the rate of $15,000 per annum.

(b) There is hereby established in the Office a Bureau of Programs headed by a Chief, who shall be appointed by the President, with the advice and consent of the Senate, and shall receive compensation at the rate of $12,000 per annum.

(c) The following administrations are hereby created within the Office of War Mobilization: (1) The Surplus Property Administration; (2) the Contract Termination Administration; (3) the Reemployment and Placement Administration. Each of these Administrations shall be headed by an Administrator, each of whom shall be appointed by the President, with the advice and consent of the Senate, and shall receive compensation at the rate of $12,000 per annum.

(d) The Director, the Chief of the Bureau of Programs, and the several Administrators, except as herein otherwise provided, may employ and fix the compensation and define the authority and duties of such officers and members, and may make such expenditures for supplies, facilities, and services as may be necessary to carry out the provisions of this Act. All appointments shall be made in accordance with the provisions of civil-service laws and regulations, and Classification Act of 1923, as amended, except that expert technical and professional personnel may be employed without regard to these laws and regulations where deemed desirable by the Director, the Assistant Director, and the several Administrators.

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SEC. 103. (a) It shall be the function of the Director, subject to the direction and control of the President—

(1) to unify the programs and activities of Federal agencies engaged in or concerned with production, procurement, distribution, or transportation of military or civilian supplies, materials, and products; economic stabilization; war production cut-backs; settlement of claims under terminated war contracts; disposition of surplus war property; resumption and expansion of civilian goods production; the training and placement of returning servicemen and civilian workers in war and peacetime industry and agriculture; and other programs affecting war mobilization and peacetime production and employment;

(2) to issue such directives on program, policy, and operations to the Federal agencies as may be necessary to carry out the programs developed and the policies established by the Office under this Act. It shall be the duty of all such agencies and departments to execute such directives, and to supply such data and make such progress reports to the Office as the Office may require.

(b) The Office may perform the functions, exercise the powers, authority, and discretion conferred on it by this Act through such officials and such agencies and in such manner as the Director may determine.

SEC. 104. It shall be the function of the Chief of the Program Bureau, subject to direction and control of the Director—

(1) to review the programs of the several Federal agencies which are subject to the direction of the Office and to recommend to the Director such modifications as are deemed necessary to assure fulfillment of the objectives of this Act;

(2) to make periodic progress reports to the Director which shall assess current performance on approved programs;

(3) to require Government agencies performing functions under this Act to prepare such data and reports as are necessary to permit the review of the programs and the making of the progress reports required in this section;

(4) to evaluate and report on current and projected public and private activities affecting war mobilization and peacetime full production and employment, and survey continuously the necessity for additional programs or legislation as will achieve the objectives of this Act. The surveys shall include (without being limited thereto) programs and measures for public works, housing, taxation, industrial and regional development, expansion of foreign trade, social security, and the maintenance of competitive enterprise;

(5) to consult and cooperate with State and local governments, industrial, labor, agricultural, and other groups (national and local) concerning the fulfillment of the objctives of the Act.

(b) The Office shall transmit to the Senate and House of Representatives within three months after the approval of this Act and thereafter at intervals not exceeding three months a summary of the progress reports, program reviews, surveys, and legislative and other recommendations prepared by the Bureau.

SEC. 105. (a) There is hereby created within the Office a National Production-Employment Board (hereinafter called the Board) consisting of three representatives of industry, three representatives of labor, three representatives of agriculture, and three representatives of the consuming public, who shall be appointed by the President: *Provided*, That each member of the Board may designate an alternate to sit and act for him. The Board shall elect a Chairman among its own members and shall by a majority vote of its members, determine its rules of procedure, except as otherwise defined by this Act, and the powers conferred on the Board by this section may be exercised by a majority vote.

(b) It shall be the general function of the Board, and each member individually, to endeavor to secure maximum cooperation and participation of the American people in the war mobilization and post-war adjustment, and to provide the Office with such advice and guidance as it deems will promote the objectives of this Act. The Board and each individual member thereof shall have full access to all information of the Office bearing on the effectiveness and adequacy of the operation of the Office.

(c) The Chief of the Bureau of Programs shall serve as the executive secretary of the Board. He shall prepare, under the direction of the Board, such reviews of programs, reports, and studies as the Board may request, and for these purposes shall exercise on behalf of the Board the full facilities of the Office and the powers conferred on the Office by this Act. The Board may make to the Congress, to the

Director, the several Administrators of the Office, and to other Federal officials performing functions subject to the direction of this Office, such recommendations relating to legislation, policy, and operations as it may deem necessary to fulfill the purposes of this Act. All such recommendations and all reports and studies issued by the Board shall be supplemented by such statements or comments as any individual member may wish included.

(d) The Director, the several Administrators of the Office, the Chairman of the War Production Board, and such other Federal officials performing functions subject to direction by the Office and as shall be designated by the Board, shall meet with it at least once a month and shall consult and advise with it on all basic policies and programs which are subject to direction by the Office; furthermore, they and their subordinates, with respect to the policies, programs, and operations affecting particularly industrial segments and areas, shall consult and advise with appropriate joint councils representative, for the particular area or industrial segment, of industry, large and small, labor, and wherever appropriate, agriculture. All such industrial segment or area joint councils shall be appointed by the Director, with the advice and consent of the Board.

(e) All appointments of members or alternates to the Board and of members of the area and industry joint advisory councils, may be made without regard to any of the provisions of law with respect to the appointment and compensation of employees of the United States. Members and alternates of the Board and of the joint advisory councils shall serve without remuneration, except for per diem allowance not to exceed $25 each day spent in the actual performance of duty, plus traveling and other expenses incurred while so engaged.

(f) The Office shall provide for the Board an adequate technical and clerical staff which shall serve under its immediate supervision. The Director shall appoint, with the advice and consent of the consumer representatives, a consumer's counsel who shall, together with such staff as he may need, serve under the supervision of the consumer representatives in providing the Board with full information on the effect of current and projected programs and policies on consumer interests.

Senator MURRAY. Would you care to ask Mr. Murray any questions, Senator George?

Senator GEORGE. I was not here when Mr. Murray commenced with his statement. I was very glad to hear what I have heard up to now.

Senator MURRAY. I think it is a splendid statement.

Of course, we all agree that the great task ahead of us is this problem of maintaining full employment. I note you made some reference in your prepared statement to the possibility of a guaranteed weekly and annual wage.

To what extent do you think that could be carried out in the post-war period? Do you think the basic industries of the United States could, if they desired, plan their production in such a fashion as to enable them to introduce a system of annual wages?

Mr. MURRAY. I do, Senator Murray. Of course, we do not want compulsory legislation to that effect. We are asking the Congress——

Senator MURRAY. You do recognize it is a most desirable thing?

Mr. MURRAY. That is right.

Senator MURRAY. And you believe it is something that is possible to accomplish.

I understand that there are a great many industries in the country that have adopted that system and are now maintaining annual payments, annual employment for their workers. I believe there are something like 30 or 40 corporations in the country that are on that basis.

It seems to me that if it were possible for the basic industries of the country to follow that system it would constitute a tremendous force in preventing the development of unemployment and depressions in the country.

Mr. MURRAY. Well, Mr. Chairman, I believe that we have the type of economy here in the United States that makes possible the attainment of the guaranteed weekly and annual income. It is a problem of planning.

I might, with your indulgence, endeavor to explain our chief reason, and I now refer to the steel workers particularly who have advanced the idea in the steel industry which is now before the members of the National War Labor Board in our steel case.

The annual wage is not new, it is not unique, it is not original here. It has been adopted in other countries. Only a few weeks ago the British Government in collaboration with the owners of the coal-mining industry perfected an arrangement to guarantee a weekly and annual income to the coal miners of Great Britain over a 4-year period.

There are a few corporations in the United States, small, not large, who have advanced the idea and who have been experimenting with it with a considerable degree of success.

Senator MURRAY. I recall we had some hearings back in 1938, at which there were a number of witnesses and among them labor representatives who presented this question.

Mr. MURRAY. Our own Congress, in recognition of the needs of the American farmers, has constructed the legislation and has developed procedures out of this legislation which give to the farmers of the United States guaranties, beginning with the present guaranty of parity plus and the further guaranty under the provisions of the Emergency Price Control Act, that their standards shall never drop below the so-called 90 percent of parity.

I suppose Senator George is more familiar with what has been done to assist American industry through our present tax legislation than I am. But I have taken advantage of the opportunity to glance into the methods employed with reference to the protecting of the interests of American industry in the so-called carry-back and carry-forward provisions of the present tax laws. It is extremely illuminating to note that the corporate interests of the United States are entitled to refunds from the Federal Treasury to protect the financial stability of their corporate structure against all possible danger that may confront them during any 2-year period, either during the war or at the end of the war.

I could best illustrate how the interest of American business is protected under that arrangement by offering an example as to how the present tax laws operate to give a guaranteed income to American business and enterprise. To do so I will resort to the use of our steel brief, which is now before the National War Labor Board. I am only putting this into the record for the purposes of illustration so that the committee itself might understand that there is nothing new or unique in the demands of labor that it be given a guaranteed income because the principle has been already established, partially, at least, as it applies to farmers, and very substantially as it applies to the corporate interests of the United States under our 1942 tax law.

Let us say, for example, that we take an outstanding corporation such as the United States Steel, and that its average net earnings after taxes for the period 1936 to 1939—and that was the peacetime period—let us say the net earnings were $44,732,000, which they actually were.

Let us follow through and see how the tax laws operate to protect the interests of that corporation, when it operates below the so-called break-even level or even at the break-even level. Now, we begin with a peacetime net earning of $44,732,000, that is as it applies to this corporation. Let us assume that this corporation breaks even in 1944, which means they had then been operating at less than 50 percent capacity. If they just break even, they will be entitled to a check from the United States Government—now get this—of $49,200,000, refundable under the carry-back provisions of the present tax laws.

Now, let us continue to provide more examples as to how these guaranteed incomes are set out. In the event the United States Steel Corporation incurs a loss of 1944 equal to its loss in 1938, and its loss in 1938 was very substantial when its annual operations were 40 percent, it will then, according to the regulations established to govern carry-forward and carry-back, receive a check from the United States Treasury of $55,451,000. That is the amount they would be entitled to.

Now, we could follow through and I could provide any number of examples that are set forth here.

The principle of the guaranteed income is therefore already established by the Federal Congress insofar as corporate business is concerned, or the average business. That is defined and set forth and is prepared to be put in operation.

There is an organization of businessmen here in the United States that provides current factual information concerning tax measures, primarily to business enterprises throughout the United States. This firm is known as Prentice-Hall, Inc. In its attempt to describe the operation of this carry-back carry-forward provision of the tax law, it disseminates a considerable amount of material among the various business enterprises throughout the United States of America.

On the date of January 31, 1944, Prentice-Hall, Inc., in the issuance of a document known as volume 6, No. 33, pointed out to the clientele the benefits that they would derive from the operation of the carry-back, carry-forward provisions of our present tax law. It had this to say:

> A machine tool builder, discouraged by the post-war outlook, had decided he would close the damn shop forever—

and I am quoting from Prentice-Hall—

> when he receives the notice of the termination of his last war contract. His accountant completely revised his decision by explaining to him the carry-back, carry-forward provisions of the tax laws. By the use of these provisions he could start in a new field (in this example, if he were a tool builder), a durable household item with little risk.

Only a relatively small investment in this machinery will be necessary, according to Prentice-Hall. The much larger item of machinery expenses for launching the new venture, 81 percent will be paid by refunds from the wartime tax payments.

Here is how, according to Prentice-Hall, this tax law works:

> Under the 1942 tax law, a net operating loss may be carried back and set off against the income of the two preceding years. If the loss still is not absorbed, the remainder may be carried forward and set off against the income of the two succeeding years.

Nor is that all, according to Mr. Prentice-Hall. Supposing during the first or second post-war years, the concern will show a profit less than normal, meaning less than the peacetime profit, as here defined

for excess profits tax proposes, under the carry-back or unused profit credits, they get a substantial refund.

The widespread expansion which will be stimulated by carry-back and carry-forward has tremendous social values.

Now, I want to get you to the importance of the social values.

It should make possible the employment of millions of war workers and returning soldiers. It is a nonpolitical way to expand employment in the new war industry regions which otherwise might become ghost areas. By increasing America's capacity to produce civilian goods, a higher standard of living will follow.

Following then Prentice-Hall offers some suggestions to these corporations and business houses as to how they ought to put this thing in motion.

He says:

1. Send copies of this letter to your board of directors.

This is the letter I am reading to the committee now.

2. Submit your expansion plans, with an itemization of the estimated expenses, to your tax consultant. He will distinguish between capital items which in most cases will not be deductible for the purposes discussed here and expenses which are so deductible.

3. Write your Congressman that expansion plans you are contemplating depend upon carry-back and carry-forward. Remind him you are relying upon their continuation.

Now, obviously, one to read the statement accredited to Prentice-Hall, Inc., would get the belief that the carry-back, carry-forward refund, to which business enterprises are entitled under existing tax laws, would be used exclusively for expanding employment. Well, that would not be true under all situations.

That would become applicable to given situations where reconversion was necessary but a very substantial segment of our war production emanates from industries where there will be no reconversion. In the case of the steel industry, of which I have cited an example, the Steel Corporation and companies will be entitled to these refundable carry-backs and carry-forwards when their business drops below a break-even level, despite the fact that there cannot be, under the greatest stretch of the imagination, any reconversion in the steel industry. That would apply to oil, that would apply to coal and metal mining, it would apply to textiles, it might very well apply to the manufacture of rubber, steel, and kindred things, and I believe also in the manufacture of automobiles, generally speaking, because all that is necessary there is retooling and expenses incident to retooling. That will be a very small item to the over-all expenses incident to the operation of a gigantic industry such as the motor industry.

The point I want to make is this, that the Congress of the United States, by virtue of the 1942 tax law, has given to the American business enterprises a guaranteed income for any 2-year period following the war or during the war, that their business drops down to a certain level that does not permit the corporate enterprise to make its so-called peacetime earnings. When it falls below the break-even point or at the break-even point, and is not making its peacetime earnings, it can then take recourse to the Federal Treasury to the amounts I have mentioned, as I have demonstrated here in the example as to the case of the steel industry.

Now, I do not point any finger of criticism in the direction of our Federal legislators for the enactment of this legislation. All I say is that the interests of the farmer have been substantially protected under the present laws. I am prepared to prove that the interests of American business are more substantially protected in the nature of an annual guarantee on its income than even the farmer.

Now, I come before the committee, representing a group of people who have no investments in anything excepting in sweat and blood and work, I do not ask the Federal Congress to pass an act guaranteeing these people their income, no. I do say that if the farmer has been given these guarantees and if business has been given a guaranteed income of some description under these Federal tax laws for a given 2-year period, then why in the name of common sense cannot the Congress of the United States, through a declaration of national policy, encourage the institution of a guaranteed weekly and annual income to American wage earners to protect their interests and the interests of their children against all of the misery that trails in the wake of unemployment, trails in the wake of staggered employment, part-time employment.

In advancing an argument in support of the establishment of that practice, I do it in good faith, believing that it is economically possible. I believe that the guaranteed income will provide the needed purchasing power to stimulate production, production of civilian goods, production of whatever goods the country may need.

Hence, I present the idea to the members of this committee in the full belief that you will give it your most earnest consideration.

Senator MURRAY. As I understand it then, Mr. Murray, you do not criticize this tax policy, which has a tendency to stabilize American industry, but you feel that while you do not demand legislation immediately, you do feel that it is a subject to consider seriously and put into effect, if it is possible, at the earliest possible time so that we can stabilize the annual earnings for labor as a method of preventing depressions and unemployment?

Mr. MURRAY. That is correct.

Senator MURRAY. The very serious problem in the future will be the need to maintain low prices for industry and at the same time keep up wages for the workers in order to prevent any possibility of a decline in production in the post-war period.

Do you feel that there is any danger that the big, basic corporations of the country might engage in price raising activities at the close of the war, in view of the great demand that will be upon us for products?

Mr. MURRAY. I do not believe that will be possible, if systems of control are maintained to prevent the possibility of gouging in the price field. I believe it is going to be necessary during the period of post-war emergency to maintain certain regulatory controls of a nature designed to prevent the country from getting into an uncontrollable inflationary situation.

Senator MURRAY. In other words, you advocate the continuation of price control during the emergency period?

Mr. MURRAY. As long as it may be necessary, Mr. Chairman.

Senator GEORGE. Until you get into full production, civilian production?

Mr. MURRAY. I think when we get into full production the restoration of competition will of itself at that moment tend to control the price structure, once we have reached that level.

I think an abundant supply of materials is a pretty important factor in controlling the price equations.

Senator GEORGE. I want to discuss this matter a little with Mr. Murray.

Mr. Murray, you have made reference to the steps taken, at least by the Senate, in an effort to meet some of the pressing problems of the transition period to the men in the armed services.

I would like to point out one of the difficulties we had in that legislation, so far as that is concerned, and how it was overcome in the Senate.

I personally believe that the men in the United States Maritime Service should have been included and put on the same basis as the men in the military service, but we ran into this practical legislative problem. Many of the veterans of World War I and perhaps some of the returned veterans of World War II, the present war, felt that they did not want their agency, to wit, the Veterans' Administration, to expand into fields other than the field of the veteran problem.

I call that to your attention to point out to you some of the difficulties we have in trying to get through a comprehensive bill and one that would cover a great many phases of this problem and must be covered by legislation at this time. They are simply practical legislative difficulties.

At the committee hearing we went so far as to suggest to one of the Senators who was interested in the men in the maritime service to draw a separate bill and my committee is committed to favorable consideration of that measure.

You are quite right in saying we have taken some steps that will prevent a collapse of agriculture, at least below a certain point. We have done it definitely on the theory that you advance here, that it was in the interests not merely of the farmer as an individual, but in the interests of the general economy, that is, prices should not be allowed to fall below 90 percent of what we call parity. Of course, there will always be some dispute as to what parity should include and what it should exclude, but once having arrived at that, we have said for 2 years farm prices would be supported at 90 percent of parity, that is, the staple crops.

That, I believe, is necessary to prevent a collapse of agriculture, which would result in disaster to the farmer and disaster to the general economy. We had that experience after the last war.

You are quite right in saying the philosophy back of the loss carry-forward and loss carry-back provisions of the tax law are in principle the thought that you have advanced here, because we were confronted by this plea from all the industries of the country. They said, we are now called on to vastly expand, to accumulate vast inventories, to spend large sums of money. At the end of the war, or some period, we will come back to the breaking point or perhaps fall into the red unless we have recourse or refunds for taxes paid by us during the 2 preceding years and if that does not help us, then that loss shall be carried forward, as you have explained.

That did contemplate that industry would be in a better position, with that assurance, to safeguard its rapidly declining inventories, rapid depreciation of inventories and consequent loss, and would be able with greater assurance to maintain a rather high level if it were not able to expand its production in peacetime fields.

You are quite right in saying that all industry cannot expand but the rule being universal, of course, they are given that degree of protection and I personally feel that the principle for which you are contending might well be declared in our earliest legislation, even if we cannot in one single legislative measure do it, because of parliamentary and political difficulties involved.

I am sure you have in mind what I have in mind, that you do not want weekly or annually guaranteed wages to become a top ceiling upon the possibility of the American workers but you do want it as a floor, beyond which and below which there cannot be a decline of wages.

Mr. MURRAY. Quite right, Senator. I ask it as a minimum guarantee.

Senator GEORGE. That is right. I am always hesitant if what we do might become a ceiling as well as a protective floor, but I have no difficulty myself in coming straight to the broad general principle that what we have tried to do in some of our agricultural legislation and in our tax legislation, is quite capable of application to the wage earner, to the laborer.

I want to give you this assurance, that whether we have to deal with this problem in piece-meal or whether we can enlarge legislation into a more comprehensive form, that I think that the principle for which you are contending is one we must recognize, that wages can not be allowed to fall below a level in this immediate post-war period because it would result in the most impossible and greatest disaster to the whole economy.

Mr. MURRAY. Well, you have substantially expressed my own point of view, Senator George.

I believe if we are going to give consideration to an all-over program designed to protect the interests of the community as a whole, that at this time if there came from the Congress of the United States a declaration of policy to encourage American industry and American labor to react through the exercise of their collective bargaining processes, to arrive at a minimum guaranteed standard, the Government would save much money, the taxpayers would save a great deal of money. It would stimulate production, it would stimulate the ingenuities of industrialists to provide the fullest measure of employment attainable and they would not under those circumstances have to resort to the payment of too much money for the guaranteed income, that is, if they provided full employment.

Senator GEORGE. I think that is correct.

Senator MURRAY. I think, Mr. Murray, that we are all agreed on the great importance of enacting as quickly as possible—establishing as quickly as possible—an over-all agency to handle the problems in the reconversion period.

The difficulty is in preparation, and in working out the details in such fashion that we shall not be overlooking anything or making any mistakes. We are being greatly urged to proceed with Senate bills 1718, which is the contract termination bill, which is being worked out completely, and is entirely satisfactory to small business and big business, and I believe satisfactory to labor also, since it is designed to aid us in quickly settling these contracts and thus enable business to return to civilian production.

Now, I have every confidence that the Congress intends to enact the over-all legislation as quickly as possible, and to enact it in such a form as to carry out the ideas that you have in mind; at least that is what I have in mind, but I do feel it is of the greatest importance that Senate bill 1718, which contains the contract termination provisions, be enacted now, since it is ready.

I would like to have you submit to us a further statement, at your leisure, with reference to what should be incorporated in the over-all legislation.

Mr. MURRAY. I shall be delighted to do so.

Senator MURRAY. Particularly with reference to annual wages or unemployment compensation.

You spoke in your statement of the nationalization of unemployment compensation.

Mr. MURRAY. That is correct.

Senator MURRAY. We would run into a terrific fight on that. We are being fought by labor itself in certain sections of the country. In my State of Montana, some of the labor leaders out there are utterly opposed to it and are standing in with the unemployment compensation directors in their effort to discredit and refute everything that I have to say or do in that connection. Therefore, you see it is not as simple a problem as it would appear.

Mr. MURRAY. Well, it displays there that even labor is not all together or always together.

Senator MURRAY. We thank you for your very able statement, Mr. Murray. We appreciate it very much. I think it will be very helpful to us.

The next witness is R. J. Thomas, president, United Automobile, Aircraft, Agricultural Implement Workers of America.

Have you a prepared statement.

STATEMENT OF R. J. THOMAS, PRESIDENT, UNITED AUTOMOBILE, AIRCRAFT, AGRICULTURAL IMPLEMENT WORKERS OF AMERICA

Mr. THOMAS. Yes.

Senator MURRAY. We shall be glad to hear from you this morning.

Mr. THOMAS. I am R. J. Thomas, president of the United Automobile, Aircraft, Agricultural Implement Workers of America, and our headquarters is in Detroit.

Senator Murray, it is a pleasure to testify before a committee of which you are chairman. Your well-known breadth of vision insures that any measure before your committee will be considered from the standpoint of the public interest. Your outstanding championship of small business and your leadership in labor's fight for the Murray-Wagner-Dingell bill, have won for you labor's confidence. Now, pioneering on contract termination, you are taking the broad view, which we support, that contract termination alone is not sufficient. You recognize labor's stake in reconversion.

The burden of my testimony today is in support of the position taken in your committee's recent report on "Contract termination," that contract termination is but one aspect of the whole reconversion problem, and that other aspects are equally deserving of attention. I believe we need an over-all approach to the whole problem. Both

S. 1823 and S. 1730 recognize in some measure this need for an omnibus bill. We hope your committee, in cooperation with Senator George's Post-war Committee and Senator Kilgore's Subcommittee on War Mobilization may be able to work out a jointly sponsored bill which will include all the features necessary to deal intelligently with the whole problem.

My union, the U. A. W.-C. I. O., represents one and a quarter million workers employed in war jobs. In addition, we have 200,000 or more in the armed services. No organization in the country has more at stake in reconversion than ours. I am submitting for the record several pamphlets, published by the union, which present our approach to problems of reconversion and the post-war world. Some of these I shall refer to later in my testimony.

1. The United Automobile Workers-Congress of Industrial Organizations post-war plan: This is a general popular outline of our whole approach.
2. Wage stabilization and post-war security: This is a portion of the union's brief submitted to the War Labor Board in the *General Motors wage case*. It contains our program for a guaranteed workweek or a guaranteed wage, and for a post-war employment security fund.
3. An analysis and factual approach to aircraft problems—wage, reconversion post-war security: This is a report by Richard T. Frankensteen, vice president and national director of aircraft organization, submitted to our first national air craft conference, held in Chicago this last February.
4. Memorandum on post-war urban housing: This is a detailed program for post-war housing.

(The various data referred to by the witness have been filed with the committee.)

These documents demonstrate our active concern with the problems which confront this committee.

MAGNITUDE OF THE RECONVERSION PROBLEM

At the risk of boring you, I want to run over a few figures which demonstrate the magnitude of the problems facing us during the reconversion period.

Gross national production, under forced draft because of Government contracts, has risen from a level of $98,000,000,000 in 1940 to an annual rate of about $194,000,000,000 now, according to figures contained in your committee's recent report on contract termination. Converting this figure of $194,000,000,000 to 1940 prices, we get a figure of around $165,000,000,000 for the present rate of output. Thus physical output has risen approximately 70 percent during the war period. This figure checks closely with the rise shown by the Federal Reserve Board Index of Industrial Production.

About half the goods and services now turned out are being purchased by the Federal Government, most of them for war purposes. The central problem—and it's a staggering one—is to develop governmental policies which will insure the present level, high as it is, will be surpassed by enough to insure full employment of our resources, including our manpower, when more than 11,000,000 persons in the services have been mustered out, and when Government purchases have dwindled to a small proportion of the current level. War expenditures, now running at a daily rate of about $300,000,000, have about reached their peak. From here on out they will likely decline. It is high time we undertook some basic planning.

A complicating factor is the rapid growth in labor productivity. In war industries the increase in productivity has been phenomenal. For west coast plane plants as a whole, the average output per worker has risen 514 percent in the past 3 years. Take the case of the Douglas A–20, a new version of which was put into battle over Europe last week by the Ninth Air Force Bomber Command. In September 1940 it took 16 man-hours to produce one airframe pound of this plane, today it takes only one man-hour.

It is true that experts differ on the extent to which such changes in productivity in war industries are transferable to peacetime production. Our feeling is that both in the aircraft industry and the auto industry, the transferability is very high. New plants and new machine tools will make the post-war worker very productive. This fact is a challenge and a menace. It emphasizes the need for a thoroughgoing attack on the whole problem. We cannot return to a pre-war situation; the problem is much greater than that phraseology implies. We have to break new ground.

Your committee very wisely recognizes the magnitude of the issues involved and the basic nature of the solution needed, when you say that, "It is clear that the only thing to take the place of the war contracts is the purchasing power of the American people and of our fellow nations throughout the world." Reconversion must be so planned as to maintain and to raise purchasing power. There is no question whatever about the technical possibilities of raising the volume of output and of purchasing power to the levels necessary to maintain full employment. The only question is: Are we willing to take the steps needed? Your committee has a great opportunity and a great responsibility.

The whole issue of reconversion breaks down into four principal problems: (1) Reconversion in the limited engineering sense; (2) disposition or utilization of war property; (3) contract termination; and (4) demobilization or what some call the "human side." I shall discuss these four phases, as well as the more general problem of the governmental set-up necessary to deal with all these segments as parts of a single whole.

1. RECONVERSION

There is, first, reconversion in the somewhat limited sense of getting back into civilian production the facilities which are now engaged in war production. In the case of the auto industry, it is estimated within the industry that 75 percent of its pre-war facilities have been converted to war uses. For industry as a whole, according to the Department of Commerce, reconversion back to civilian production will cost in the neighborhood of $4,000,000,000.

How are we going to handle the job? Are we going to have an orderly return to civilian production, or is it to be a mad scramble? Is big business going to gobble up small business? Are pricing policies going to promote abundance or restriction?

At present, there is no adequate machinery for answering these basic questions. The War Production Board is supposed to be doing so—in cooperation with the O. P. A. on price questions—but it has set up no machinery for the purpose. Here and there, without any general program, it is relaxing materials controls; and the business advisory committees are actively pushing for steps advantageous to their industries. Mr. Nelson's recently announced Citizens' Committee on Return to Civilian Production is a first step in the right direction, but so far, without an organization to advise, it is operating in a vacuum.

It is clear that legislative action is necessary to give basic direction to W. P. B. Title III of S. 1823 takes care of this phase of the problem. I call attention particularly to section 301 of S. 1823, which instructs the W. P. B. to—

(*a*) Review the military production programs of several Federal procurement agencies for the purpose of coordinating such programs and synchronizing curtailments with the resumption of civilian goods production.

(*b*) Establish unified policies and programs for the expansion, transfer, and curtailment of military production and for the resumption of civilian production covering specific products, firms, industry segments, and geographical areas.

(*c*) Develop programs for the curtailment of military production and industrial reconversion based upon assumed military developments on stated dates.

The objectives outlined in section 304 are equally noteworthy:

(*a*) Necessary war production shall be maintained without impairment or delay.

(*b*) Curtailments of war production shall be programed so as to permit the utilization without delay of the released manpower and facilities in the production of other war products or civilian goods.

(*c*) Subject to the overriding requirements of war production, fair consideration shall be given to the relative competitive positions of the industrial segments, areas, and concerns affected by curtailment and reconversion programs. The small business contractor shall not be discriminated against * * *. Resumption of civilian goods programs shall give particular consideration to smaller business concerns. * * *

These objectives, which the U. A. W. supports, are similar to the proposals in the Baruch-Hancock report for "X" day.

As far as practicable—

this report says—

this "X" day plan should seek to estimate cancelations in advance, the industries affected, and the resources likely to be released; make tentative selections of the industries and plants to be freed, weighing how these selections can be guided to improve war efficiency and to make for the speediest resumption of civilian production and the smoothest transition to peace.

We believe this approach is sound. It recognizes, as Baruch-Hancock point out elsewhere, that—

at the present stage of the war, preparations for demobilization are inseparable from the actual conduct of the war.

The War and Navy Departments are certainly correct in emphasizing that nothing should be done now which would in any way hamper war production.

Senator MURRAY. Mr. Thomas, Senator George would like to make a statement at this point.

Senator GEORGE. Mr. Thomas, I have been called away from the committee this morning. I do not want you to assume or think for a moment I am not sincerely and deeply interested in your statement and I am going to read it just as you are presenting it to Senator Murray and to the committee.

Mr. THOMAS. Thank you, Senator.

With an offensive in western Europe close ahead of us no other position is thinkable.

We do not think, however, that the careful programing of reconversion need interfere with war output. On the contrary, uncertainty about procedure and policy for resumption of civilian production is at present a factor in causing an unnecessary case of jitters. A carefully worked-out program, as part of an over-all approach, under the direction of the same agency which is responsible for war production, would actually allay post-war fears on the part both of business and labor.

Such a program, too, would prevent individual businesses from going ahead with their post-war plans without regard to either war production or full employment in the post-war production. As it is, drafting rooms in aircraft plants are laying out post-war planes, and auto plants are working away at parts for post-war automobiles. You have seen in the newspapers the controversy over who named the "jeep." This species of post-war planning I call "jeep planning." An over-all program is necessary in order to substitute a broad planning in the interests of abundant total production, for this partial and restrictive planning.

UTILIZATION OF WAR PROPERTY

The second phase of the whole reconversion problem concerns the utilization of war property. Two of the bills before this committee, S. 1730 and S. 1823, contain titles dealing with what is commonly called the "disposal of surplus property"—including Government-owned plants and equipment and materials in all degrees of fabrication, from overcoats to gyroscopes and shells.

We protest against the use of the words "disposal" and "surplus." "Disposal" and "surplus" as commonly used, suggest the wastebasket and the garbage can. Why not say "disposition," or even better, "utilization," in order to emphasize the productive value of these things from the standpoint of the whole economy?

Senator MURRAY. We are using both words, Mr. Thomas, in order not to have any misunderstanding on that. I think your point is well taken.

Mr. THOMAS. The public press is not using both words. And why not drop the word "surplus" entirely? What is "surplus" from one standpoint may be extremely valuable from another. It is true that Government-owned machine tools will become surplus from the standpoint of the Government's war needs, but talking about "disposal of surpluses" suggests that the tools should be tossed out of Government inventories in the most rapid fashion possible and regardless of social usefulness.

The stake of the auto workers in war-property utilization is enormous. Nearly half—61,000 out of 130,000—of the machine tools now in the possession of General Motors, are Government owned. Government-owned facilities in the aircraft industry are valued at $3,150,000,000. Facilities for combat transportation and other motorized vehicles account for another $425,000,000. Facilities for the production of guns, ammunition, shells, explosives, and so forth, account for $3,941,000,000 more. Of this total of more than $7,000,000,000, the value of plants in industries represented by the U. A. W.-C. I. O. probably amounts to between $4,000,000,000 and $5,000,000,000. A large proportion of these are convertible to peacetime production.

The magnitude of the utilization problem with respect to wartime inventories is suggested by the fact that General Motors alone reports having on hand some $500,000,000 worth, mostly work in process and raw materials. The total held by war induteies has been estimated at from $11,000,000,000 to $13,000,000,000.

Because of the magnitude of the problem of handling these immense properties, and because of the extreme importance of their proper handling for the post-war period, we urge that your committee give the very fullest attention to the problem. It is our feeling that any bill dealing with the disposition of war property must be drafted with primary emphasis upon securing full production and full employment. Mr. Baruch, as you remember, urged, as one rule to be followed by the Surplus Administrator, that he should "sell as in a goldfish bowl, with records always open to public inspection." The same principle applies to the development of legislation in this field. There should be the fullest possible public discussion.

While we are not yet prepared to testify in detail on the utilization of war property, there are several principles which the auto workers are convinced should be incorporated in any legislation:

1. Administration should be under the general direction of the same agency responsible for reconversion as a whole. The provision of the Kilgore bill in this connection is satisfactory.

2. War property should be so utilized as to promote full production and full employment. We are unalterably opposed to plowing under or scrapping whether it takes place openly or covertly. Senator Kilgore, we are glad to note, has publicly taken the position, since the introduction of his bill, that no war property should be destroyed. On this point we have reached a parting of the ways. In one direction is a scarcity economy operating for the benefit of a few at the expense of the many; in the other direction is an economy of growing abundance operating for the benefit of everyone. I cannot be too emphatic on this point.

3. Small business must be protected. Accomplishment of this objective will be particularly difficult in the case of the disposition of Government-owned plants in view of the fact recently pointed out by Mr. Byrnes that 70 percent of the Government's total plant investment is in projects costing more than $10,000,000 each. As Mr. Byrnes says:

> The Surplus Property Administrator must be authorized to lease as well as sell these plants if independent and local enterprises are to be given an opportunity to take over any of the larger plants. And where possible, we must subdivide the larger units.

On this point, Senator Murray, I am sure we can rely on your interest in small business to insure inclusion of the proper safeguards.

CONTRACT TERMINATION

Thirdly, there is the contract-termination problem to which your committee has largely devoted itself over the past several months. The magnitude of this issue is demonstrated by the data presented by your committee in its March report. Besides the $178,000,000,000 in prime war contracts which must eventually be terminated, there are millions of subcontracts. Your bill, S. 1718, is notable for the protection which it affords the subcontractor. For this reason, and

because we believe in general that orderly machinery for terminating contracts must be set up, we are supporting S. 1718.

The position of the U. A. W., like that of the C. I. O. and of the A. F. L., however, is that contract termination cannot properly be considered by itself. It is only one segment of a larger whole. Along with it we believe that you must deal with the establishment of an agency which would handle contract terminations, as wlel as the disposition of war property, and the establishment of reconversion policy. In addition, the U. A. W. takes the position that workers need certain safeguards during the reconversion period to match those applying to business and to farmers. These should be written into an over-all bill.

I should like to devote the remainder of my testimony to considering the need for provisions safeguarding labor, and the need for an omnibus approach to the whole problem. As an introduction, I want to describe what is happening in Evansville, Ind., where contract termination has already occurred on a sizable scale and where considerable unemployment has developed. The situation there presents on a small scale the whole group of interrelated problems which we are facing as the war-production program begins to close down.

CUT-BACKS IN EVANSVILLE

According to information from our local unions, some 12,500 workers have been laid off at the Chrysler and Sunbeam ordnance plants in Evansville since peak employment in August. The area has been reclassified from a group I area to a group III area in consequence. Though Republic Aviation will expand somewhat and a big inland shipyard—now employing 12,000—will continue to add new workers, there is no prospect that all the laid-off workers will be reabsorbed in the locality. Opportunities for women are especially restricted. Morover, if the shipbuilding program were cut back the situation would become extremely serious.

Evansville is fortunately not typical of what has happened so far. Most of the cut-backs have been relatively small, and most of them have been in areas where alternative job opportunities were available. But Evansville poses the problem sharply. If the machinery for dealing with Evansville is inadequate, it will be increasingly inadequate as cut-backs increase.

The War Manpower Commission is trying to step up the employment of women and is making every effort to recruit shipbuilding workers from local sources rather than by importation. It is making welders out of some of those laid off in the ordnance plants. But these measures are obviously inadequate. Our union is trying to have larger orders placed in other plants, but so far the results have not been great.

What is to become of these workers and of these productive facilities? The question of the facilities is, in this instance, settled: The plants are to be kept as stand-by equipment. But that fact only poses the problem of the workers more sharply. If they become welders at the shipyard, as some are doing; if they move back home to other jobs; or if they drop out of the labor market—in all these cases they will be unavailable when production of shells is resumed. Perhaps stand-by wages are needed to hold the labor supply.

Suppose a situation where the services indicate no further use of the facilities. What program do we now have for making use of the facilities? Has any agency examined the plants from the standpoint of other war production or of civilian production? With respect to the workers is there any adequate procedure for financing the movement of workers to other jobs outside the area? How adequate are unemployment compensation benefits? And will they last until workers find other employment? What happens to benefits payable in one State when a worker moves into another State to look for work?

I have here some additional information on cut-backs affecting the U. A. W., which I will give to the committee.

Senator MURRAY. You wish it incorporated at this point in your testimony?

Mr. THOMAS. Yes.

Senator MURRAY. It may be so incorporated.

(The statement referred to follows:)

RESEARCH DEPARTMENT, UNITED AUTOMOBILE WORKERS-
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Detroit, April 25, 1944.

EMPLOYMENT AND PRODUCTION

Ford-Rouge.—Has been cut-back in jobs in aircraft building but employees have been reabsorbed within unit on other types of work. New steel foundry lay-off of 220–250 people about 2 weeks ago. Employees transferred to other parts of Rouge and Highland Park plants. Magnesium foundry shut down about 2 months ago; 500 laid off but reabsorbed in other sections of the plant.

Murray.—550 women laid off last November. Production steady since then.

Ternstedt.—Due to increased efficiency in other plants throughout the country working on compass and gyro instrument jobs, Ternstedt production went to back original schedule resulting in lay-off of over 1,000 women between middle of December and about 1 month ago. Maintenance men are being laid off, a few at a time. About 15 or 20 so far. Men going into armed forces take care of other lay-offs which may have taken place.

Briggs, 212.—Mack Plant: About 2 months ago 1,500 laid off. Cut Vought-Sikorsky fighter job from 30 to 22 wings a day. This was only lay-off since peak war employment. Eight Mile Road: Steel 75 millimeter shell job eliminated resulting in lay-off of 1,000 about 5 months ago. Peak was 1,500; 500 working now. Vernor plant: Cut in production of parts for Flying Fortress about 4 months ago resulted in lay-off of 700. Peak employment 1,000; 300 now.

Briggs, 742.—No cut in production. Few still being hired. About 50–60 people were transferred to Hupp plant recently taken over by Briggs.

Packard.—No cut in production, no lay-offs.

Bohn.—Plant 3, magnesium foundry division—1,000 laid off in last 60 days. Closing this division, which had peak employment of 1,100, so 100 still to be laid off. Reason: 30 percent cut-back in magnesium production for all Bohn plants, so remainder of Detroit production transferred to Adrian plants.

THE NEED FOR PLANNING AND COORDINATION

Mr. THOMAS. This story of what is happening in Evansville makes it obvious that we are confronted by a problem far larger than contract termination. Assuring the enterprises in question that they will be speedily reimbursed for completed or uncompleted portions of their contracts, and affording them loans to carry them during a transition period—these are essentials of an orderly procedure, but they do nothing to meet other problems created by such a situation: How can cut-backs be minimized? What alternative production, for war or for civilian use, can be substituted? What can be done to

move the workers elsewhere or to give them financial assistance until they find other employment?

It is disheartening that we continue to muddle along without adequate coordination or planning despite the obvious lessons of the war. It has been clear for a long time—to cite but one outstanding example of the point I am making—that early errors in the placement of war contracts, greatly and unnecessarily burdened our war mobilization. Contracts were concentrated in a few areas and in a few companies. The utilization of other areas and of smaller plants was hit or miss. In consequence, we have had unprecedented migration to war centers, causing overcrowding, housing problems, health problems, and transportation problems. And on top of that, we did irreparable injury to small business in many lines.

If we don't want to repeat errors of this kind, in the process of what Mr. Baruch calls "unwinding" the war economy, we must consider carefully some of the lessons taught us by the experience of war mobilization. We should know by now that early mistakes have continuing and often cumulative effects. The unduly high concentration of defense and war contracts, which I have just mentioned, is one example. Another is the failure of the civilian production agencies to take control over procurement. From these two major mistakes have flowed many of the serious difficulties of war production, particularly in the manpower field.

In the same way, and perhaps even more important, our decisions now are determining the post-war world. If we botch up contract terminations so that working capital is unnecessarily tied up, we will reduce the future level of production and employment. If we scrap Government-owned property which could be productively used, we cut down to that extent our production potential. If we let workers drift out of the labor force because alternative jobs are not available when cut-backs occur—if we let them return to unproductive farms or to idleness—we are harming war production now, and post-war production later on. Isn't it obvious that we need coordination and planning to prevent such dissipation of our resources?

The Baruch-Hancock report points this out very clearly. I quote:

> Failure to make the necessary decisions promptly will make later decisions more difficult. On the other hand, by keeping the programs in constant balance—inventory and planned acquisition on one side and prospective demands on the other—we will be able to carry the economy through the transition period with successively higher utilizations of our resources.

Another lesson from war experience is that belated attempts to solve by emergency measures the muddles which result from lack of planning and coordination are often worse than the muddles themselves. Consider the hopeless tangle arising out of the conflicting manpower demands of the services, of industry, and of agriculture. Failure to grapple with these demands from the single standpoint of the best utilization of manpower for war mobilization has resulted in such confusion that thousands of workers still do not know whether they are contributing most effectively to the war, and may actually be doing less than they readily might, simply because they are in the wrong spot.

The latest result of this confusion is a renewed demand for national-service legislation. Early basic errors in manpower policy, in contract placement, and in wage policy, have resulted in shortages in certain

low-wage industries and in high turn-over and absentee rates even in some relatively high wage industries. From time to time these situations, which no doubt have hindered war production, have been offered as the excuse for the passage of the Austin-Wadsworth bill or other legislation equally obnoxious to both labor and industry. Now, at a time when pools of unemployment are beginning to appear, as cut-backs—like those in Evansville—take place without adequate advance planning, it is again proposed in all seriousness that Congress should pass national-service legislation. Compulsion is being urged while voluntary measures have not been given a real opportunity to demonstrate their effectiveness.

Obviously, compulsion is offered as a substitute for a real program. Let us beware lest we fall into the same trap in connection with reconversion. Over in the House, I understand, there is a strong pressure for the passage of a contract-termination bill without waiting to consider together all the interrelated parts of a satisfactory reconversion program. I hope this committee will not take such a shortsighted view.

If there is any truth in the position that speedy action on contract-termination legislation is needed in order to prevent a piling up of unsettled contracts, it arises out of a condition in which cancelations are decided upon without full knowledge of all the circumstances. The planned and programed termination of contracts would minimize terminations and prevent the furor now allegedly arising because of lack of legislation. A central agency, one branch of which dealt with terminations, would be in a position to plan them in relation to the needs of all branches of the services, of lend-lease, of domestic civilian production, and of rehabilitation of occupied areas. Instead of that, terminations now take place in a largely decentralized fashion, without even one branch of a service knowing where and how much the others are cutting down. This sort of things, I repeat, injures war production and jeopardizes our chances for full employment in the post-war period. A contract-termination bill, by itself, no matter how good it is, does nothing to correct the basic trouble.

Your committee, in its recent report, makes this point very clearly. I quote:

> There is the question of the extent to which out-backs in specific programs, as well as the ensuing contract terminations, can be avoided by the proper pooling of requirements. There is no advantage to the Government in one contracting agency's terminating production of articles that are still needed, and not completely contracted for, by another contracting agency. It would be much more logical for the first agency to allow the contract to be completed and then to have the articles delivered to the second agency, or for the second agency to take over the contract officially. Your subcommittee feels there is a distinct place for such pooling not only within the war program itself but also in connection with the closely associated program of foreign relief and rehabilitation.

Besides the need for planning and coordination, the war has taught us that labor participation is an essential to the orderly conduct of a production program. I hardly need to argue this point before this committee, but I do want to emphasize it. Any legislation to be satisfactory to labor, must make provision for labor representation and labor participation at all policy-making levels.

Among the bills now before this committee, the Kilgore bill alone contains provisions which embody these lessons learned from war-mobilization experience. The principles embodied in this bill to which

the U. A. W.-C. I. O. gives its wholehearted support, include the following:

1. The basic need to continue war production. In its preliminary statement of objectives, section 101 (a), the bill declares it to be the intent of Congress—

> to achieve the necessary war production which is indispensable to the speediest victory through the maximum mobilization and utilization of the Nation's natural and industrial resources and of the manpower not in the armed forces, and through the stabilization of the civilian economy.

The bill provides for the governmental machinery necessary to carry out this objective. It sets up in the first place a central Office of War Mobilization and Adjustment, in effect giving legislative sanction to the present Office of War Mobilization and clothing it with authority over war production as well as over production in the transition period. The Director is to be appointed by the President and is to have adequate compensation. He is to act in consultation with a National Production-Employment Board, likewise appointed by the President, and representative of industry, labor, and agriculture. This proposal, for an over-all agency with labor representation, is essentially similar to that made sometime ago by the U. A. W. for a Peace Production Board.

In the second place, the War Production Board, acting under the general supervision of the Office of War Mobilization and Adjustment, and advising and consulting with a production program and reconversion committee which includes representatives of the services, is to direct war production and industrial reconversion.

This coordinated set-up insures that "Necessary war production shall be maintained without impairment or delay," as provided in section 304.

2. The determination to keep in the forefront the goal of expanded production and employment. A second objective of the bill, as stated in section 101 (b), is

> To insure that the great momentum of the war mobilization which is bringing victory to our arms will not be lost, but will be reconverted into a peacetime transition program providing for the fullest possible production and employment in private industry in a stabilized civilian economy.

To achieve this objective, the bill sets up, in addition to the machinery already discussed, a very significant agency, the Bureau of Programs. This Bureau, within the Office of Mobilization and Adjustment, would not be a brain trust dealing with the far off and unobtainable; it would be a research and statistical arm of the Director collecting and analyzing the information necessary for taking the next steps. The Director will inevitably be hacking his way through an unexplored jungle, in much the same way that our troops are hacking their way through New Guinea. The instrument needed is not the telescope of the visionary, because it will not be possible to see that far ahead, but a telephone system by which different parts of our forces, advancing together through the unexplored jungle, can keep in close touch with each other.

The Bureau of Programs is assured of independence by the provision that its head shall be appointed by the President.

3. Recognition of the importance of labor-industry-government cooperation. No one who has watched the operation of the National War Labor Board, of the Office of Price Administration, of the War Manpower Commission, and of the War Production Board, can doubt the value of labor representation and participation, and of the desirability of labor-industry-government cooperation. It is a major defect of some other agencies—notably the Office of War Mobilization and the Office of Economic Stabilization—that they do not have provision for regular consultation with labor on policy matters. The U. A. W. has been fighting for labor representation and along with the C. I. O. has been advocating "the establishment of national industry-wide councils with equal labor participation to work out reconversion schedules." I have already submitted a copy of the pamphlet, The U. A. W.-C. I. O. Post-War Plan to the committee.

Senator MURRAY. Mr. Thomas, at this point I should like to call to your attention the fact that Senator Kilgore has presented a revised bill, Senate bill 1823. We will make it available to you. I think it changes many of these things that you have referred to in your statement. I should like to have you send us your comments on it at your leisure.

Mr. THOMAS. That will be fine. I will certainly do it.

The U. A. W. is, therefore, gratified to note that S. 1823, recognizing the valuable contributions which labor has made to the production program during the war, has provided fully for labor representation. The Office of Mobilization and Adjustment, as already noted, is flanked by a National Production-Employment Board, consisting of representatives of labor, industry, and agriculture. The Production Program and Reconversion Committee, set up to work with the War Production Board, is to include the W. P. B. Vice Chairman for Labor Production and Manpower Requirements. Finally, the Chairman of the War Production Board is instructed to consult with "joint advisory boards, fairly representative of industry, large and small, and labor." We are very much interested in this proposal for joint advisory boards. We believe they will become very important parts of the reconversion machinery, besides, if adopted quickly, helping immediately with war production.

4. Recognition of the need for protecting small business. The Kilgore bill, as in the section just quoted, makes special provision for safeguarding small business. This need is widely recognized and scarcely needs any particular emphasis on my part, particularly in testimony before Senator Murray. I am glad to observe that Mr. Fennelly, testifying before this committee on behalf of the Committee for Economic Development (the C. E. D.) made it clear that his organization, likewise, sees the need to protect small business. Quoting from their recently issued pamphlet, Small Business After the War, he pointed out that:

> The conversion of industry to war production involved severe handicaps for many small businesses. Such handicaps should be minimized during the period of reconversion.

THE "HUMAN SIDE" OF RECONVERSION

In turning now to the distinctly labor aspects of reconversion, I cannot do better than quote a passage from the Baruch-Hancock report:

> The war has brought abnormal conditions of employment which have given rise to human problems which become reflected in every situation requiring administrative or legislative decision. These problems cannot be separated from the others. They will be greater or smaller directly according to the way in which

such programs as contract termination, surplus disposal, the mustering out from the armed forces, public works, social security, education and benefitx for veterans, and international agreements are handled. There is no way of isolating problems of human interests from others. But there is no necessity for losing sight of the personal element in any of the fields of adjustment—and there will be no excuse for ignoring it.

These problems, as the report says, "cannot be separated from the others". They are a part of a logical whole. Just as manpower mobilization was an integral part of the war-production program, so demobilization is an integral part of reconversion.

And it is going to be a big problem. There are about 11.3 million persons in the armed services, most of them drawn from the labor force, and most of them expecting to return not only to the labor force but to jobs. There are now about 9.3 million workers—men and women—in munitions industries, a large proportion of whom will have to shift into other industries as war production declines. And there are about 7.5 million workers now employed who are newcomers to the labor market. Out studies show that most of these recent accessions would prefer to stay at work if jobs are available.

In the case of the aircraft industry, which is now employing more than 2,000,000 workers, at the very least 1,000,000, and at the worst a million and three-quarters workers, will have to shift into other industries. The automobile industry, now employing 1,200,000 workers, according to the Automotive Council for War Production, cannot hope to exceed 1,000,000 after reconversion, a level 40 percent above that of 1941. Our stake in the "human side" is obvious. In recognition of the importance of this problem to the U. A. W.-C. I. O. we recently held a national aircraft conference (February 28–29, 1944, in Chicago) at which the post-war problems of the industry were discussed. I have already submitted to the committee the report of Vice President Frankensteen to this conference.

Not only will there be tremendous manpower shifts from industry to industry, but there will certainly be a big return flow of workers out of the now congested war areas. According to a recent analysis by the Census Bureau, a minimum figure for the net migration from one county to another during the period April 1940 to November 1943, was just under 5,000,000. The gross movement, if I may hazard a guess, was more than twice as large. During this period New York State lost a million people, and California gained a million. Last summer, workers were coming into Detroit at a rate of over 12,000 per month, and now the numbr of out-migrants is around 5,000 per month.

I do not mean that none are coming in. I think the amounts coming in and going out are just about equal at the moment.

Existing machinery for handling these shifts—industrial, occupational, and geographical—are very inadequate. The U. S. Employment Service has been hamstrung by inadequate appropriations and by the policy of extreme decentralization adopted by the War Manpower Commission. There is no legislative provision for financing the transfer of workers from one area to another. Training facilities are hopelessly inadequate to handle the wholesale readjustments which will be necessary both for returned servicemen and for civilian workers. And State unemployment compensation laws provide inadequate coverage and benefits to help tide workers over the transition period. We must be vigilant to prevent our workers, who

answered their country's call by entering the armed services or by taking war jobs, from becoming depression "Joads." Workers want jobs first. But lacking jobs they must have security.

Mr. Byrnes, Director of the Office of War Mobilization, in his speech 2 weeks ago before the Academy of Political Science in New York, recognized that, "In the national interest the Government also has a duty to help labor tide over the transition from war to peace." He had been emphasizing the measures necessary to protect business, and pointing out that under the Stabilization Act of October 2, 1942, Congress has provided for the post-war protection of farmers by authorizing the Commodity Credit Corporation to make loans on basic crops at the rate of 90 percent of parity for 2 full crop years after the formal termination of hostilities.

For the workers, Mr. Byrnes advocated Federal legislation "to supplement existing State unemployment benefits." This proposal is similar to that embodied in title V of S. 1823, section 506. We support the general principle of Federal supplements to State benefits, and urge that any legislation to be recommended by this committee should include provision for the establishment of minimum standards with regard to the amount and duration of benefits, the length of the waiting period and the extent of coverage.

I should like to say, too, that we would look upon unemployment compensation as a necessary war emergency step, but not in any sense as a substitute for the Murray-Wagner-Dingell bill. Also, I should like to point out that satisfactory legislation must provide returned servicemen and the workers who have been serving on the home front, alike with jobs or proper unemployment benefits. Despite the efforts of reactionaries to create differences between them, both these groups are workers. It is a great virtue of the Kilgore bill that it recognizes this fact.

I wish to emphasize the necessity of providing minimum standards substantially equivalent to those in S. 1823. A level of benefits ranging from $20 for single persons to $35 for married persons with three or more dependents, is none too high. Provision must be made for the payment of benefits, if necessary, over a period of up to 2 years. And coverage must be practically 100 percent. Anything short of standards of this sort is a slap in the face for our returned soldiers and for workers who have made alll sorts of wartime sacrifices. There must be no return to W. P. A. days and to relief standards. Our great country—which has demonstrated during the war its enormous productivity—can ill afford to take its cue from Representative Rankin. Those days are over.

A second safeguard for labor during the conversion period would be dismissal wages. We are not asking at present that dismissal wages be provided by law. We are asking, however, that any contract termination legislation include a provision calling upon the contracting services to recognize dismissal wages, if included in a union contract, as a valid disbursement, reimbursable by the Federal Government. It is necessary, too, that the War Labor Board be instructed to approve contracts which provide for dismissal wages. At the present time it is not clear precisely what is the status of dismissal wage clauses in union contracts, particularly in the case of contracts not yet negotiated.

Thirdly, as provided in section 505 of S. 1823, the manpower authorities should be authorized to pay the cost of transportation of workers, their dependents and their household effects, as it becomes necessary for them to shift from one job to another.

Finally, the Federal Government will have to move into the field of industrial training and retraining, helping to finance the worker or the ex-serviceman as he learns how to fit himself into a new industrial and occupational pattern. These provisions, I insist, must be part of any orderly reconversion program. Moreover, their early adoption would give labor a much needed sense of security which would go a long way toward solving the remaining manpower problems.

Perhaps, before this committee, I do not need to go into the question of the justice of labor's claim to safeguards of this sort. Nevertheless, in concluding my testimony, I should like to cite a few figures to indicate how well industry is doing:

According to a recent study by the National Income Unit of the Department of Commerce, business enterprises will have available between forty-seven and fifty-eight billion dollars during the transition period (Survey of Current Business, February 1944, p. 10). Against this, they will have an estimated maximum of charges amounting to $36,000,000,000. Thus, according to the authors of this survey, they will have in the aggregate a "minimum of ten to twenty billion dollars available from wartime accumulations for expansion purposes." The lower of these two amounts, 10 billions, is equal to the amount available to industry for expansion of facilities and inventories in 1941, the year of largest expansion in any 1 year during the past two decades.

These findings suggest that business is, on the average, in pretty good shape. It can take care of itself during the reconversion period. Workers are not so well off, despite daily publicity for the fabulous earnings which our members are alleged to be getting. In this connection, I want to call to your attention a survey recently published by the United Steelworkers of America, the Steelworkers in 1943. I quote, page 15:

> Contrary to popular belief, steelworkers' families are not now able to save money to provide a reserve for post-war emergencies. Instead, they are going into debt to the extent of 79 cents a week in spite of the bonds purchased and small bank savings.

As another indication of how well manufacturers have been able to take care of their post-war position, I want to leave with you for inclusion in the record, a table compiled by our research department, which shows for 26 auto companies a comparison between their position in 1943 compared to 1939, with respect to net sales, profits before taxes, profits after taxes, and post-war reserves.

In general it is the smaller companies that show the highest increase in the rate of profit, whether before or after taxes. To cite a few examples of big increases:

Profits after taxes	*Present increases 1939–43*
Edward G. Budd Co.	1,442.9
Packard Motor Co.	1,132.2
Garwood Corporation	547.7
Mack Trucks	423.2

Some of the larger companies had much smaller increases:

Profits after taxes	*Present increase 1939–43*
Studebaker Corporation	48.3
Chrysler Corporation	11.8

Senator MURRAY. Are those profits after taxes and before renegotiation?

Mr. THOMAS. They are.

Senator MURRAY. Therefore, upon renegotiation, of course, a large part of that profit would be taken away?

Mr. THOMAS. That is correct, if it is taken away. This includes also post-war reserves for which separate figures have been introduced.

And General Motors showed a decline of 4.8.

These figures, of course, don't tell the whole story. The larger companies typically had higher rates of profit in the base period, 1939. General Motors, for example, reported an 18.6 percent return on net worth in 1939.

Post-war reserves in many instances are at high levels—high enough so that, with tax funds recoverable from the United States Treasury, the companies should be well able to finance their reconversion. Chrysler had an $18,000,000 post-war reserve in 1943. General Motors had one of 35 millions. Commonly these reserves are deducted from net income before profit figures are made public. This type of bookkeeping is misleading to the public, for the headlines announcing reduced net profits do not mention the fact that wartime profits include these reserves.

In citing these facts and figures regarding profits and reserves I am not saying that post-war reserves are undesirable. On the contrary, I feel that they are essential to speedy reconversion with a minimum of unemployment. What I am pointing out is that industry in general seems to be in a financial position to tide itself over the reconversion period without too much trouble. I might note that the aircraft industry, which has expanded to its present extraordinary levels from almost nowhere, is an exception to the general rule. It will need special assistance.

All labor is asking for is a consideration of our reconversion problems comparable to that already being given to the problems faced by farmers and by business.

CONCLUSION

In conclusion I should like to express again the hope that a jointly sponsored Murray-Kilgore-George bill may be the outcome of the consideration of these matters by your committee, and that it may be an omnibus bill with the good features of S. 1718, S. 1730, and S. 1823, and embodying the principles which I have discussed today. The U. A. W.-C. I. O. would be happy to support such a bill.

Indeed, I believe such a bill would attract support on a very broad front. Labor would unite behind it. Small business would favor a bill under sponsorship of the Murray committee. The C. E. D. has already expressed itself as favoring an over-all agency and protection for small business. And industry, generally, is beginning to see the advantage of such an approach. Even on the question of an extension of unemployment compensation, I believe industry might

at least privately favor it. As Mr. Byrnes pointed out in his recent address:

> The proposal gives to private enterprise the assurance that its efforts to expand after the war will not be frustrated and stalled at the outset by unemployment and falling purchasing power.

Planning the next step toward reconversion is a job that can only be done successfully by the united cooperative effort of industry, labor, and the Government—and then only if all parties are willing to take a thoroughly constructive and broad-gage approach to what will be one of the biggest challenges that has ever faced our country.

Senator MURRAY. I wish to thank you for your very able and comprehensive statement, Mr. Thomas.

I had prepared a number of questions I intended to ask you but I note that you have covered them in your prepared statement.

I should like to ask your judgment on the question, as to what extent do you think we might be able to use the large war plants that have been created in the different war industries in the post-war period?

Mr. THOMAS. Well, of course, that is a pretty hard question to answer in a few words.

Senator MURRAY. In the automobile and aircraft industries.

Mr. THOMAS. I will say this: The large plants that will need consideration, such as you suggest, will be mainly in the aviation industry, in my opinion; there will be some in the automobile industry, not as much, because we have had in the automobile industry before the war started a lot of obsolete plants that were very old.

However, in these other plants in our post-war program, the way we contemplate it can be worked out, if there can be some program of full employment put into effect, it will increase the economy of the country to such an extent that these plants can be used to build other necessities for the people, such as, well, as has been mentioned, refrigerators, portable housing, radios, things that are needed by the families throughout the country, which we consider necessities today.

Senator MURRAY. Are you asking for an industry council in the automobile industry?

Mr. THOMAS. Yes; we are.

Senator MURRAY. Just how would that be set up?

Mr. THOMAS. Well, we believe the way it should be set up, there should be a top council, with representatives from industry, representatives from labor organizations, and also representatives of Government on that industry council as a whole. Then going down from that there should be regional councils set up and then going on a further level there should be, as we have advocated ever since the war started, councils with plants, labor-management committees, and so forth.

Senator MURRAY. They already have such committees in some of the plants of the country?

Mr. THOMAS. In some of the plants, yes. As a whole, they have not been very effective because in most of our companies they have only been giving lip service to the plan.

Senator MURRAY. In some small industries they have such industry committees and I understand they have worked satisfactorily.

Mr. THOMAS. Oh, yes; there are many industries where they are working very satisfactorily. In some parts of our industry they are working very satisfactorily, too.

Senator MURRAY. What policy does your organization advocate in reference to cut-backs, that is, in reference as to how the cut-backs should be handled, what control over that should be maintained?

Mr. THOMAS. Well, I thought I brought that out in my testimony here.

The first thing that bothers us to a great extent today is that cut-backs are occurring in various portions of the industry without labor, and I think many times, management not knowing anything about what is going to happen in the next few days. That sort of springs a surprise on both industry and labor and makes the situation much worse. There is no plan what to do with these workers after the cut-back occurs.

I think labor, industry, and management should be given a longer notice.

I think there should be some plan where jobs would be available for these workers, somewhat along the same line that they have been worked out. As I said here, I think transportation should be taken care of. I might say in England that has already been done.

There should be some plan as to what to do with the plant facilities and what to do with the labor supply when the cut-back occurs.

Senator MURRAY. With proper study on the part of the procurement agencies you do not believe that would be a difficult thing for them to do?

Mr. THOMAS. No; I do not.

Senator MURRAY. You believe they could give advance notice of cut-backs so that industry and labor would be able to protect themselves?

Mr. THOMAS. I think that it can be done very easily.

Senator MURRAY. I think that is all I desire to ask.

I appreciate your appearance here this morning, Mr. Thomas, and I am furnishing you with a copy of the revised Senate bill 1823, introduced by Senator Kilgore. I will ask you to make some comments on it.

Mr. THOMAS. I appreciate that very much.

Senator MURRAY. That concludes the hearing today.

We will meet again tomorrow at 10:30 o'clock a. m. when we shall hear Mr. LaGuardia, mayor of New York City; A. H. Hinrichs, Acting Commissioner, Bureau of Labor Statistics; and Julius Luhrsen, Railway Labor Executives Association.

(Whereupon, at 1:30 o'clock p. m., the committee adjourned until 10:30 o'clock a. m., Thursday, April 27, 1944.)

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Columbia University
NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1730

A BILL TO CREATE AN OFFICE OF DEMOBILIZATION, ESTABLISH GENERAL POLICIES FOR THE OPERATION OF THAT OFFICE, PROVIDE FOR THE SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS, PROVIDE FOR THE DISPOSAL OF SURPLUS GOVERNMENT PROPERTY, AND FOR OTHER PURPOSES

S. 1823

A BILL TO ESTABLISH AN OFFICE OF WAR MOBILIZATION AND ADJUSTMENT

PART 2

APRIL 27, 1944

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It is perfectly obvious that the first demobilization problems—in the order in which they shall arise—is contract termination and plant clearance. Those are the matters effectively covered by S. 1718 (now pending before your subcommittee) which has been urgently recommended for immediate passage by the special Senate Committee on Post-war Economic Policy and Planning. Let me say again that I completely agree with those who rightly insist that the disposal of surplus property is inextricably linked with contract termination and plant clearance. We have only commenced to meet the problem of demobilization and reconversion when we deal with these two latter phases. But when we do deal affirmatively and conclusively with contract termination and plant clearance, we have at least started to answer this critical national problem. We shall have cleared the track to this extent. We shall then be able to immediately concentrate upon the final problems of surplus disposal.

It is my observation—based on the work of the Post-war Economic Policy and Planning Committee—that there still remains substantial controversy in respect to "surplus disposal." In my view there has ceased to be any substantial controversy in respect to contract termination and plant clearance as contemplated in S. 1718. I repeat that I have been driven to the reluctant conclusion that we dare not any longer proceed on the "all or nothing" theory. I respectfully urge that we should start this legislative process in respect to contract termination and plant clearance so that our national economy may have this much reassurance immediately.

I come from one of the great industrial war production centers of the country. Indeed, it is the No. 1 area. Therefore, it is also the No. 1 area in respect to the tragic hazard which will confront this country if this war terminates (either wholly or in part) before Congress has laid down dependable statutory rules and regulations to govern swift effective and conclusive contract termination and plant clearance—and then surplus disposal.

In my view, the situation is already critical. In my view, Congress should act, so far as it can, without any further delay. Otherwise, it will be Congress and not private industry which will have to take responsibility for what happens. We have been holding "hearings" on all of these related subjects for many months before many different committees of the House and Senate. Your committee—like the special Senate committee of which I am a member—has faithfully explored the field. I would not cut off any citizen from his right to be heard. But I respectfully submit that the time has come for action—immediate action—action before it is too late—action which will reassure American industry that Congress intends to act as well as to listen and to talk. If you can produce over-all action without further delay, I favor it and I want to help. But I am convinced that the need for speed in initiating this process is so great that the legislative covering contract termination and plant clearance should be given the immediate "go" sign. This cannot possibly interfere with further and immediate attention to the equal need for legislation dealing with surplus disposal. It simply takes these related problems in the order of their imminence. It seems to me that we ought to be able to get S. 1718 (in whatever form is satisfactory to your committee) on to the Senate floor next week for action next week. If this could be done, I think it would be the greatest possible reassurance we can give to our hundreds of thousands of war contractors (upon whom in turn millions of workers depend for their jobs) that we intend to protect and facilitate the demobilization and reconversion process upon which our total national economic life absolutely depends.

We cannot hold private enterprise responsible for reconversion results unless we permit private enterprise to function in behalf of reconversion; and private enterprise cannot even start upon dependable plans until Congress writes the laws under which it shall proceed.

I speak with deep feeling on this subject because I know at first hand what it means in the great war-production area which I in part represent.

I shall appreciate it if this letter may be entered in the records of your committee hearings.

I thank you again for your courtesy in notifying me in detail respecting your current continuation of hearings.

With warm personal regards and best wishes,

Cordially and faithfully,

A. G. VANDENBERG.

STATEMENT OF A. F. HINRICHS, ACTING COMMISSIONER, BUREAU OF LABOR STATISTICS

Senator MURRAY. Mr. Hinrichs, will you please give your full name and official position to the reporter?

Mr. HINRICHS. A. F. Hinrichs, Acting Commissioner of Labor Statistics, United States Department of Labor.

Senator MURRAY. You may proceed with your statement.

Mr. HINRICHS. I was asked to describe briefly, Senator, the work that the Bureau of Labor Statistics is doing in the post-war field.

For a period of 2 years, we have been working with an appropriation directly from our Appropriations Committee in Congress, to determine the character of the post-war labor problems that will arise out of the wartime dislocations.

Our primary work involves an analysis of employment trends and the dislocations of employment that have occurred, indicating in those studies the areas in which the dislocations have been greatest and the character of the industrial distribution of that employment.

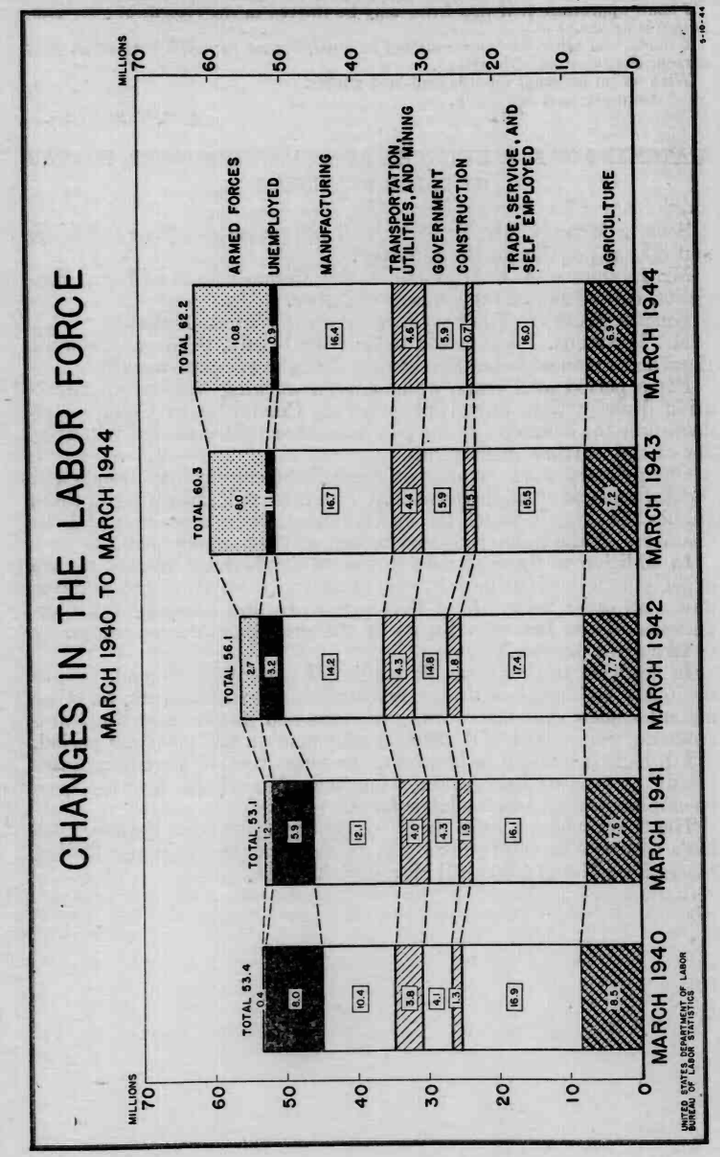
In addition to those specific studies of employment trends, we are experience following the last war, involving research in the archives and with other materials of that period, to find what light the experience of the last war throws on the problems that we are going to face after this one.

In addition to those specific studies of employment trend, we are obviously concerned with the relationship of employment to other measures such as public works programs and measures of fiscal and economic policy that will affect employment in the post-war period.

I think that it might be helpful to the committee if I were to indicate briefly by way of background what the effect of the war has been on employment and on the labor force.

The chart which I have here [indicating] shows the changes that have occurred in employment and in the labor force in the United States from March 1940 until March of this year.

(Chart I, referred to by witness, is as follows:)



Each one of those bars represents the situation in March of each year, 1940, 1941, 1942, 1943, and 1944.

The first thing to which attention should be directed is the change that has occurred in employment as such. In March of 1940, there were about 45,000,000 people employed in the United States.

By March of 1941 that number had risen to 46,000,000—not a very large increase. The sharpest increase in employment occurred in the year between March 1941 and March 1942.

In March 1942, we had over 50,000,000 people at work, an increase of 4,000,000 over the preceding year. A further increase of about 1,000,000 to March 1943, was followed, as between March of 1943 and the present time, by a small decline in employment.

The most marked increase, so far as employment is concerned, was in the manufacturing segment. Of the 45,000,000 people who had been employed back in March 1940, about 10½ million were engaged in manufacturing. At the present time the number is 15½ million, a 5 million increase—nearly as large an increase in manufacturing alone as has taken place in total employment.

The other large expansion in employment has been quite largely in the civilian personnel of the Army and the Navy, engaged in arsenals, navy yards and the operation of depots, bases, and so forth.

There has been on that account an increase of nearly 2 million in the number of people employed by Government. The other activities of the Federal Government, other than strictly wartime activities, have shown no increase in employment, nor has there been an increase in State and local governments since 1940.

Senator MURRAY. Haven't they decreased some?

Mr. HINRICHS. Some decrease. The change there is comparatively small.

Those represent the extraordinary expansions of the wartime period. They have been accompanied, of course, by a tremendous expansion of the number of individuals in the armed forces.

Back in 1940 we had less than half a million in the armed forces of the United States. At the present time there are in the order of 10½ million. So that you have had both an increase of employment of about 5½ million and an increase of something more than 10 million in the armed forces, a total increase of fifteen million or sixteen million people.

That has been made possible by two developments. The first was a sharp decrease in the number of people who were unemployed.

At the beginning of the war we had some 8,000,000 people who were unemployed. That number was reduced to a figure of about 6 million in March 1941 and cut to a little more than 3 million in March of 1942. It has been running at levels of about 1 million since March of 1943.

Mr. GWYNNE. When you speak of the number of unemployed, do you deduct those people who are unemployable for all practicable purposes?

Mr. HINRICHS. No; when I talk of the number who are unemployed, I am talking of the number of people who are actively seeking work at any time in the labor market whether there is a hope of their finding work or not.

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If I can digress for a moment to the concept of unemployable workers, I would like to say that experience has demonstrated that those who are truly unemployable comprise a comparatively small number. Normally, those people who are truly unemployable are not seeking work and hence are not counted in the labor force or as unemployed. A man who is ill or crippled in such a fashion that he cannot work, and is unemployable in that sense, is normally not seeking work.

The unemployables that we ordinarily refer to are a group of people—and I can only guess very roughly about their number—aggregating certainly a million and perhaps 2,000,000 individuals who find it difficult to secure a job and to hold a job for a long period of time. There is a constant churning of that so-called unemployable group into and out of jobs. Therefore, at any one time half a million or so of the group may be looking for work and counted among the unemployed.

They are not a significant factor in the total picture at the present time.

Mr. GWYNNE. What are the chief reasons for these people being unemployable?

Mr. HINRICHS. A variety of personal reasons, though the causes may be social. Bad work habits, completely inadequate training——

Mr. GWYNNE. Poor health?

Mr. HINRICHS. Poor health, psychiatric cases—a large variety of factors.

A certain number of people are normally made unemployable by prolonged periods of unemployment. That is, unemployment is so demoralizing an experience that you add to your list of unemployables immediately by virtue of the fact that you have had severe unemployment.

Mr. GWYNNE. Do you think because of the stress and strain of war, that after the war is over the percentage of unemployables will be increased?

Mr. HINRICHS. I think it is so completely negligible a factor that it ought not to enter into considerations of public policy with respect to the number of jobs we need to be able to fill. If you are referring to the problem of the rehabilitation of people who have been personally dislocated either by service in the armed forces or by industrial experience, it may be a problem. I think it is large enough to call for some remedial measures if that is the point of your question.

Mr. GWYNNE. Do you intend to make some comment on the situation so far as agricultural employment is concerned? There were fewer people employed there in 1944 than in 1940. Is that correct?

Mr. HINRICHS. There was some decrease in agricultural employment, a decrease that I believe was particularly marked at the end of 1942. I don't pose as an expert on agricultural employment, but there has been a slight decrease there.

The final point that I would like to note in connection with this chart is that we met this expansion in manufacturing and in the armed forces, first out of the decrease in the number of people who were unemployed, and second from a very substantial increase in the total number of people who are participating in the labor market.

In 1940 we had about 53½ million people in the labor force in the spring. In the spring of this year the number is about 62¼ million,

an increase of about 8¾ million people. Part of that increase represents merely the growth of the population of working age, about 2¾ million of it.

About 6 million represents people who are in the labor force today, or in the armed forces, who under normal conditions, would not have been in the labor force.

You have then about 6,000,000 workers who have been drawn into the labor market by virtue of wartime activity itself.

(Chart II, referred to by witness, appears on p. 48.)

Mr. GWYNNE. That includes women and older people who would not normally be employed?

Mr. HINRICHS. It does; yes. It includes about 3¼ million males; just under 3,000,000 females.

Looking at the story by age groups, about half of it represents participation in the labor force of young persons, who would normally be in school or college, under the impact both of selective service and of opportunity for wartime jobs.

(Chart III, referred to by witness, appears on p. 49.)

There has been on the whole a very small addition among males over 25 years of age. That is indicated by these bars showing in all about 1,000,000 extra men working in the age groups above 25. No more than half a million, and probably less than that are people who have been drawn back from retirement or have postponed retirement.

There has been an increase of about 1¼ million in the number of women 35 to 55 years of age. No significant additions occurred among women 25 to 35 years of age.

So that the picture of that 6 million of extra wartime workers may be described as consisting of about 3 million young persons out of school, about 1½ million women over 25 years of age, and about a million or slightly more males over 25 years of age, of whom about half a million are older folks who, under normal circumstances, would be retired.

The expansion that I was talking about in manufacturing employment has, of course, characteristically been in the heavy goods industries, in the manufacture of airplanes, ships, the fabrication of the machinery and the fabrication of the basic materials underlying them.

(Charts IV and V, referred to by witness, appear on pp. 50–51.)

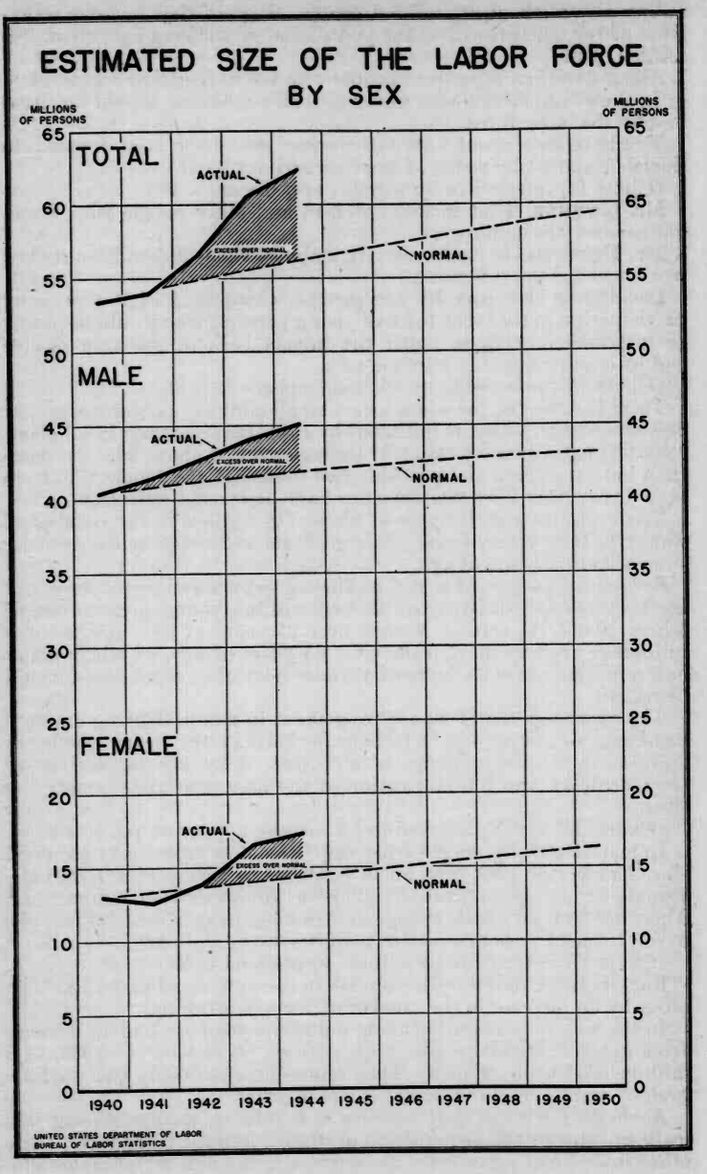
In manufacturing, wage-earner employment in its entirety has risen since October of 1939 from about 8,800,000 to nearly 14,000,000 individuals, an increase of 5 million. This has almost all been in munitions. There has been very little change, contrasting the two terminal periods, in employment in nonmunitions manufacturing industries.

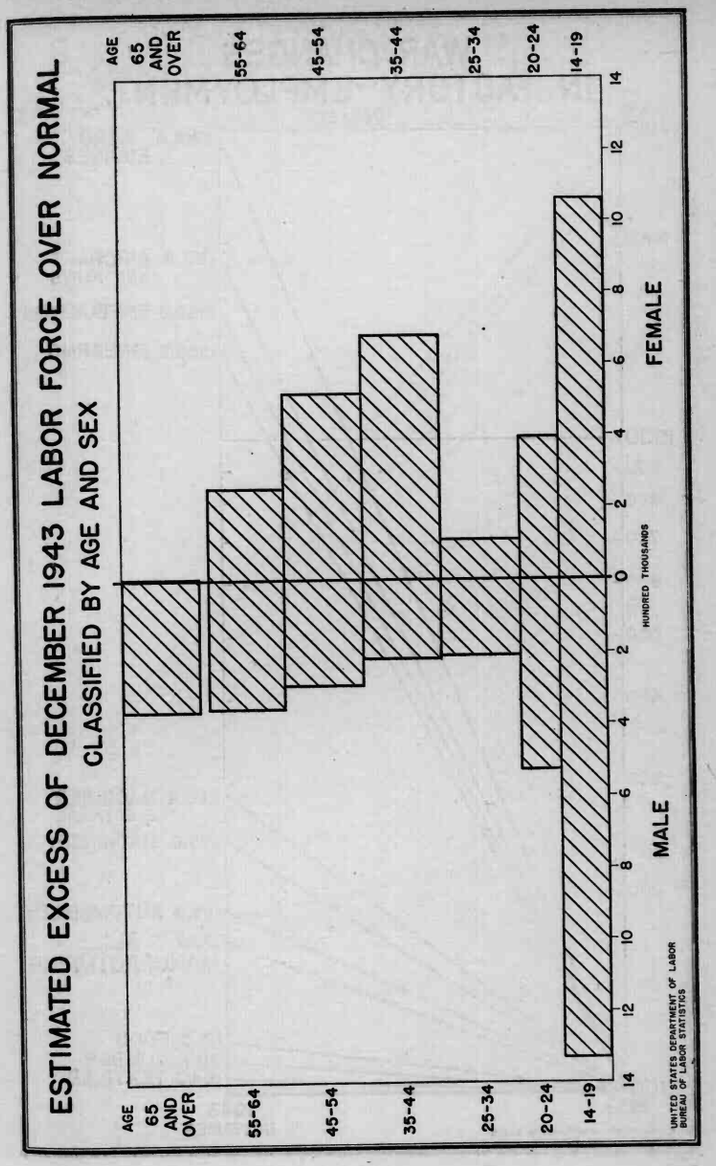
(Chart VI, referred to by witness, appears on p. 52.)

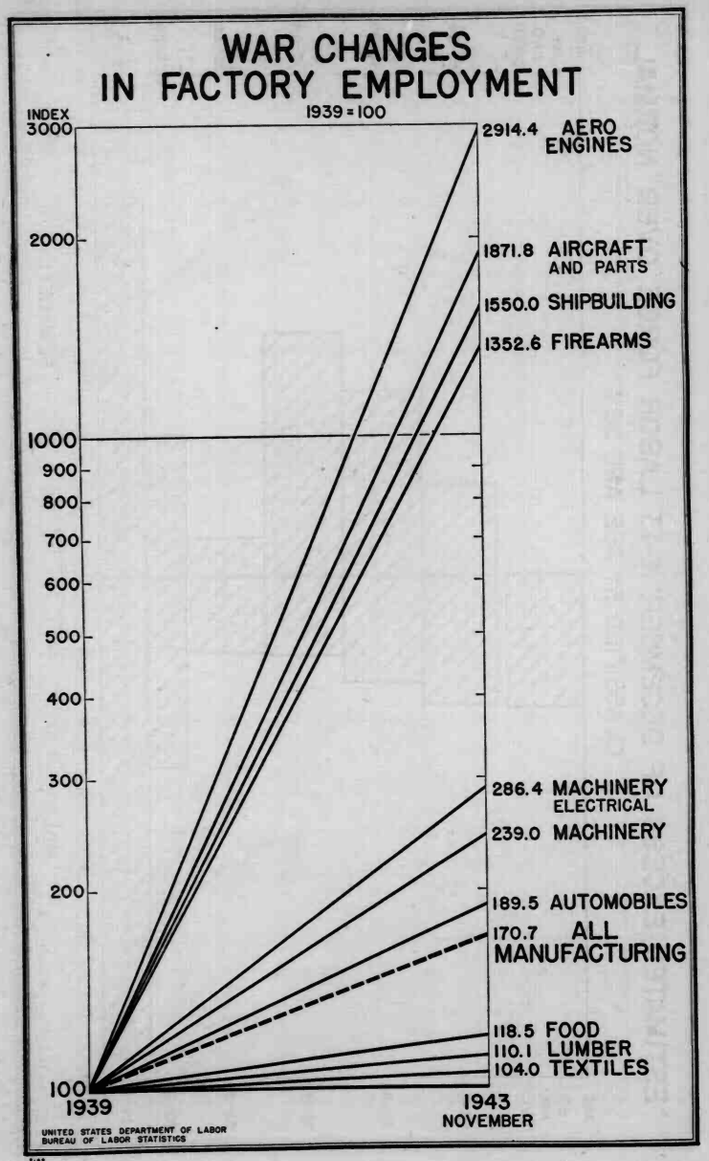
For the latter industries a decrease in the number of males has been offset by an increase in the number of females working.

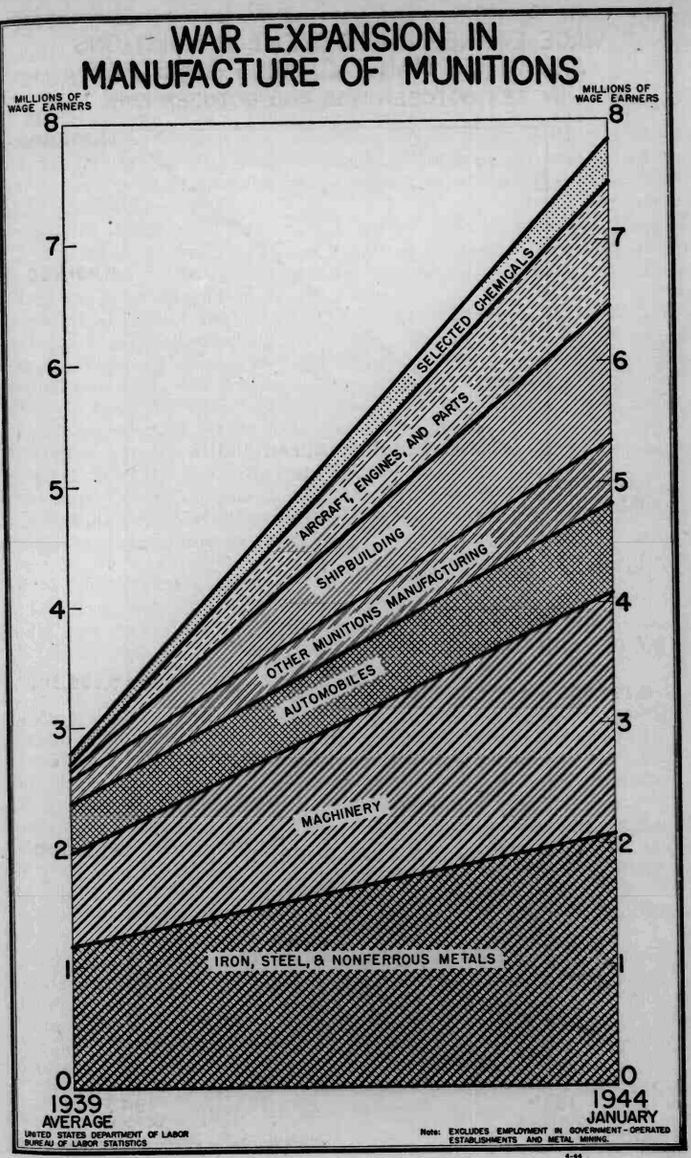
In the munitions manufacturing industries you have had an increase from about 3,000,000 people, wage earners, in October of 1939, to 8 million in the fall of 1943. That represents essentially the wartime peak of munitions manufacturing employment.

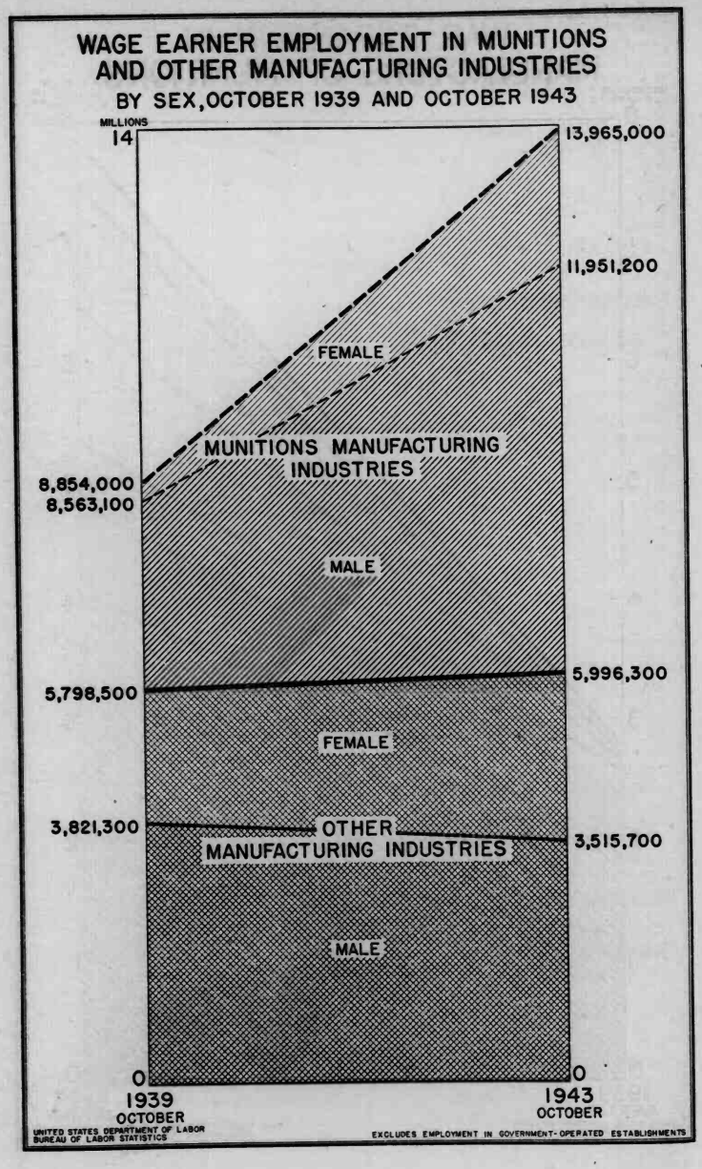
About two-fifths of that increase in munitions manufacturing was made possible by the introduction of women into the labor force. The other three-fifths represented an increase in the number of males who are employed.


ESTIMATED SIZE OF THE LABOR FORCE
BY SEX
MILLIONS OF PERSONS
MILLIONS OF PERSONS
TOTAL
ACTUAL
EXCESS OVER NORMAL
NORMAL
MALE
ACTUAL
EXCESS OVER NORMAL
NORMAL
FEMALE
ACTUAL
EXCESS OVER NORMAL
NORMAL
0 5 10 15 20 25 30 35 40 45 50 55 60 65
1940 1941 1942 1943 1944 1945 1946 1947 1948 1949 1950
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS


ESTIMATED EXCESS OF DECEMBER 1943 LABOR FORCE OVER NORMAL
CLASSIFIED BY AGE AND SEX
AGE
65 AND OVER
55-64
45-54
35-44
25-34
20-24
14-19
FEMALE
MALE
HUNDRED THOUSANDS
0 2 4 6 8 10 12 14
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS


WAR CHANGES
IN FACTORY EMPLOYMENT
INDEX
1939 = 100
3000
2000
1000
900
800
700
600
500
400
300
200
100
2914.4 AERO ENGINES
1871.8 AIRCRAFT AND PARTS
1550.0 SHIPBUILDING
1352.6 FIREARMS
286.4 MACHINERY ELECTRICAL
239.0 MACHINERY
189.5 AUTOMOBILES
170.7 ALL MANUFACTURING
118.5 FOOD
110.1 LUMBER
104.0 TEXTILES
1939
1943
NOVEMBER
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS


WAR EXPANSION IN
MANUFACTURE OF MUNITIONS
MILLIONS OF WAGE EARNERS
MILLIONS OF WAGE EARNERS
8
7
6
5
4
3
2
1
0
SELECTED CHEMICALS
AIRCRAFT, ENGINES, AND PARTS
SHIPBUILDING
OTHER MUNITIONS MANUFACTURING
AUTOMOBILES
MACHINERY
IRON, STEEL, & NONFERROUS METALS
1939
AVERAGE
1944
JANUARY
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
Note: EXCLUDES EMPLOYMENT IN GOVERNMENT-OPERATED ESTABLISHMENTS AND METAL MINING.



Senator MURRAY. The Government has invested something in the neighborhood of $15,000,000,000 in war plants. Have you got any separate figures regarding the number of workers employed in those Government-owned and privately operated plants?

Mr. HINRICHS. Yes. Those Government-owned and privately operated plants represent a total investment of about $8,000,000,000 of the $15,000,000,000 that you indicated. Four hundred such establishments scattered all over the country at present employ slightly more than 2,000,000 people.

Senator MURRAY. There will be a very difficult problem there of continuing the operation of those plants in the post-war period. Have you any idea with reference to the possibility of the utilization of those war plants for civilian production?

Mr. HINRICHS. I am sorry, I cannot speak as an expert on the subject. I would call attention to the fact that among those plants that are Government owned and Government operated, or Government owned and privately operated, the end product is ordinarily a product with special wartime uses. The privately financed expansion has been in those areas where there is an expectation of normal peacetime activities, but aircraft, ships, and ordnance items take a very high proportion of the funds invested.

(Chart VII, referred to by witness, appears on p. 54.)

The limitations on the operations of those plants are two. In some instances, the technical equipment of the plant is such that ia cannot be used for anything else. I am not sure that a powder plant can be used for anything except the manufacture of powder.

In other instances, it is a limitation on the volume of work to be done in a specialized industry as, for example, shipbuilding, where there has been an increase in employment from less than 100,000 at the outbreak of the war, to 1¾ million at the present time.

Senator MURRAY. Do you wish to ask any questions?

Mr. GROSS. Mr. Hinrichs, in making any estimates of the probable amount of unemployment after the war, many assumptions have to be considered, the rate of demobilization of soldiers from the armed forces, the extent to which women and under-age and over-age workers stay in the labor market, and so forth.

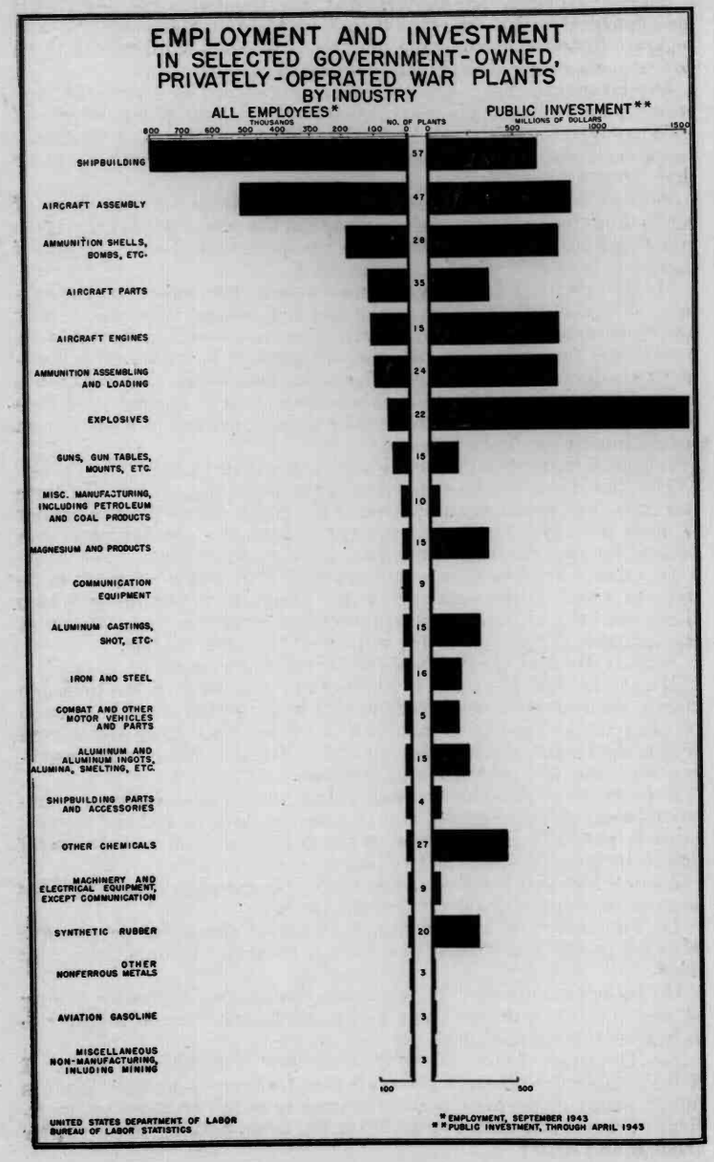
Suppose we assume that the war in Europe should stretch out somewhat longer than we expect and the war in Asia should end sooner, so there would be an entire end of the entire war and no substantial demobilizations between the two phases.

Assume also that the boys overseas will be brought home as rapidly as ships and planes could bring them home.

Let's assume that a substantial portion of the older people and younger people and women who have entered the labor market stay there.

On those assumptions, do you think the number of people trying to find jobs in that particular period of demobilization might run as high as 12 to 15 million?

Mr. HINRICHS. There are quite a number of hypotheses there. I will throw in one other, if I may, before I answer your question. Is public policy going to be pointed primarily to the creation of conditions of full employment, or are we going to do nothing in particular about it and drift?


EMPLOYMENT AND INVESTMENT
IN SELECTED GOVERNMENT-OWNED, PRIVATELY-OPERATED WAR PLANTS
BY INDUSTRY
ALL EMPLOYEES*
THOUSANDS
800 700 600 500 400 300 200 100
NO. OF PLANTS
0
PUBLIC INVESTMENT**
MILLIONS OF DOLLARS
0 500 1000 1500
SHIPBUILDING 57
AIRCRAFT ASSEMBLY 47
AMMUNITION SHELLS, BOMBS, ETC. 28
AIRCRAFT PARTS 35
AIRCRAFT ENGINES 15
AMMUNITION ASSEMBLING AND LOADING 24
EXPLOSIVES 22
GUNS, GUN TABLES, MOUNTS, ETC. 15
MISC. MANUFACTURING, INCLUDING PETROLEUM AND COAL PRODUCTS 10
MAGNESIUM AND PRODUCTS 15
COMMUNICATION EQUIPMENT 9
ALUMINUM CASTINGS, SHOT, ETC. 15
IRON AND STEEL 16
COMBAT AND OTHER MOTOR VEHICLES AND PARTS 5
ALUMINUM AND ALUMINUM INGOTS, ALUMINA, SMELTING, ETC. 15
SHIPBUILDING PARTS AND ACCESSORIES 4
OTHER CHEMICALS 27
MACHINERY AND ELECTRICAL EQUIPMENT, EXCEPT COMMUNICATION 9
SYNTHETIC RUBBER 20
OTHER NONFERROUS METALS 3
AVIATION GASOLINE 3
MISCELLANEOUS NON-MANUFACTURING, INLUDING MINING 3
100 500
UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
* EMPLOYMENT, SEPTEMBER 1943
** PUBLIC INVESTMENT, THROUGH APRIL 1943

The range that is introduced by that last hypothesis is so large that my answer is that I honestly cannot make an intelligent guess, but under all of the conditions that you have outlined a figure of 12,000,000 is not unreasonable.

I can illustrate, I think, a little more concretely, if I may, not with a series of hypothetical figures, but rather by contrasting the situation of the labor force as we know it, and as it is likely to be 2 or 3 years from now, with employment as it existed in 1941, which was a rather high level of employment at that time.

With employment totaling slightly more than 50,000,000 people, with a normal labor force of about 58,500,000, if you make assumptions with reference to the armed forces and say about 2,500,000 in the armed forces—and that is a purely hypothetical figure, so far as I am concerned—you are left with something like 5,000,000 people who would be unemployed if all of the extra workers that I have been talking about retired from the labor market.

Mr. GROSS. That is an optimistic assumption in many respects, is it not?

Mr. HINRICHS. That all of them will retire from the labor market?

Mr. GROSS. Yes.

Mr. HINRICHS. Yes; there ought to be some residue in any event. The amount of withdrawal is going to depend on a number of policy decisions.

First of all, how quickly are we going to be able to get the normal numbers of the population back into schools and colleges?

Secondly, are the women who are presently in the labor market going to assume that there is going to be severe unemployment ahead of them? If so, larger numbers would stay in the labor market than otherwise would. That is, if they are anticipating that their husbands are going to become unemployed, they will hang onto a job themselves, to the last day they possibly can. If, on the other hand, they have reason to believe that there is going to be opportunity for full employment, a large percentage of the women will retire.

In the third place, there has been discussion of liberalization of old-age retirement provisions, not as a war measure particularly, but as a general social measure. If that is timed to encourage withdrawal from the labor force, you would have larger withdrawals than otherwise would be the case.

I don't think, however, we can count on cutting back to a labor force of 58,500,000 people in 1947. If I had to guess, I would say there is likely to be a residue of about 1,000,000, or perhaps a million and a half workers staying in.

We have to think in terms of 58 to 60 million people who are going to be looking for employment.

Mr. GROSS. Other witnesses have suggested that if, after the war, we return to the 1940 level of national income, we would have an unemployed group of at least 19,000,000 people.

Do you have any comment on that figure, which has been presented to us?

Mr. HINRICHS. It takes into account, first of all, a greatly lower level of employment and armed forces than the one I have indicated here. It also makes allowance for large increases in productivity that have occurred.

I can't give you a sensible confirmation of the figure. All that I am prepared to say is that we will have a serious unemployment problem unless we have a much larger number of people employed than were employed in 1940 and an even greater increase in national income. We cannot possibly be satisfied to set as a goal the 1940 national income.

Bear in mind that in the first chart that I showed we started in 1940 with 8,000,000 unemployed. Since that time we have had at least 3,000,000 growth in size of the normal labor force—I think I said 2¾ million up to the present, but you need to consider also a continuing normal increase of nearly half a million every year. So that when you talk of a post-war labor force, you are talking of three to four million more people than were in the labor force in 1940.

On top of all that, there has been an increase of productivity. It is a perfectly normal phenomenon. It means we ought naturally, year by year, to produce more goods and use them to raise the standard of living of the people of the United States or for productive investment here or abroad. If we do not use that increased productivity to increase the production and consumption of goods, but use it as a substitute for work hours, we should reduce hours of work or you will increase your unemployment past the 8,000,000, plus the growth of the labor force. The time that would need to be spent to make an exact estimate is hardly justified. You know that the basic problem is there, even without being able to establish the fact in terms of a single figure.

Senator MURRAY. Mr. Hinrichs, in the early part of your statement, you mentioned a slight decrease in employment between 1943 and 1944. Have you got the exact figures of the extent of that decrease?

Mr HINRICHS. Yes; I would like to submit the figures for the record on a monthly basis. I am sorry that I do not have those with me. The decrease over this period was from 51.2 million to 50.5 million in March of 1944, 700,000 in that period.

(The figures referred to are as follows:)

Esimated civilian employment,[1] March 1943 to March 1944

[Thousands of persons 14 years of age and over] [1]

Week ending—		Week ending—	
Mar. 13, 1943	51,230	Oct. 9, 1943	52,170
Apr. 10, 1943	51,590	Nov. 13, 1943	51,680
May 8. 1943	52,630	Dec. 11, 1943	51,010
June 12, 1943	54,000	Jan. 8, 1944	50,350
July 10, 1943	54,750	Feb. 12, 1944	50,260
Aug. 14, 1943	54,370	Mar. 11, 1944	50,490
Sept. 11, 1943	52,950		

[1] Preliminary.
Source: U. S. Department of Commerce, Burea uof the Census.

Actually there was some further rise after March of 1943, so that the decline is timed a little bit later than I show here.

Senator MURRAY. That decrease was due to cut-backs in war production, was it not?

Mr. HINRICHS. It is due in part to cut-backs in war production. It is due in part to the disappearance from the labor force of a certain number of individuals, or to nonreplacement of individuals taken into the armed forces.

There has been a decline in employment, for example, in the textile industries, since 1943. That is not a cut-back. Cut-backs have come particularly since October, and more particularly November of 1943, as a significant phenomenon.

We have always been having cut-backs, but scattered and on a smaller scale than we have known them in the last few months.

Senator MURRAY. The committee has had some testimony to the effect that there was an improper or inefficient utilization of labor in many of the plants in the country, especially plants that were operated on the cost-plus-fixed-fee system. Do you know whether or not there has been an effort to reduce the number employed in those types of plants as a result of the criticisms that were made against them?

Mr. HINRICHS. I can't assign the cause, sir. Perhaps the Manpower Commission could.

There has been a reduction of employment in many lines where the physical volume of production is still increasing, as in the case of aircraft. The reduction of employment has come about not so much through lay-off or discharge, although there has been some of that, as by the nonreplacement of workers when they quit. Aircraft and shipbuilding have both shown declines in employment that I think in part reflect the situation which you describe.

Senator MURRAY. Have you any idea as to the extent of cut-backs that will take place in the coming months that would tend to increase the unemployment of workers in this plant?

Mr. HINRICHS. We anticipate some further decreases, but relatively moderate, up to the termination of hostilities with Germany. Following the termination of hostilities with Germany, we except cut-backs to increase.

In the meantime, they are localized phenomena, smaller in their total volume than the month-to-month changes in the size of the labor force. There has been no evidence, despite the cut-backs that have occurred so far, of any increase in the total number of people who are unemployed. There has rather been a disappearance from the labor market of at least as many people as have been laid off if you are talking in terms of national aggregates.

Senator MURRAY. Have you concluded your statement with reference to these charts that you have?

Mr. HINRICHS. Yes, sir.

Senator MURRAY. Have you any suggestions to make to the committee with reference to the basic post-war problems that should be considered by this committee?

Mr. HINRICHS. Well, in the first instance, I think I have already indicated in my testimony the extreme importance which I would attach to the development of public policy with reference to the need for full employment. It should be so firmly grounded that the policies of all agencies would automatically be geared to the job of creating conditions that are conducive to full employment in the post-war period, precisely as the agencies today are geared to the job of mobilizing for war.

If there is any doubt in anybody's mind with respect to what the task of the post-war period is, I think it might have very serious consequences. Whether an agency is primarily responsible for dealing with problem of fiscal policy, or of monopoly, or with any of a whole

range of economic questions, it should propose solutions that will increase employment. This is at least as important as specific programs for conversion, the demobilization of the military forces, and programs to encourage withdrawals from the labor force.

With reference to conversion, the Department of Labor has testified before this committee at an earlier date. So also, I think, with reference to the demobilization of the armed forces.

I have spoken today about the problems that surround the encouragement of withdrawals from the labor forces. It would seem to me there is need for development of a program for the launching of needed public works during the transition period and that that will involve the programing of work by municipalities and by the States. Whether any assistance may be needed from the Federal Government or not, is a question, I should think, for the States, the municipalities and the Congress to decide, but there are costs that are involved in getting a public works program ready to move.

I mentioned the role of the States and municipalities particularly because the unemployment that will arise in the transitional period is likely to arise rather sharply, and large public works of the sort which are typically Federal works—huge reclamation projects and things of that sort, reach a peak employment after many months. The small works that are characteristic of localities can be pushed to peak employment more quickly.

We are going to need a strong employment service. We must not let the Employment Service disintegrate as it did after the last war.

It is quite probable that the geographic shifts that are going to arise will raise problems of assistance to workers to transfer from expanded areas.

You are undoubtedly going to need facilities for training and, more especially for retraining, and finally, there is need certainly to examine the problems of unemployment due to conversion which may arise in this period and the adequacy of provisions for unemployment compensation.

Those, I think, would sumarize the outstanding immediate problems from the point of view of the people who are being displaced.

Mr. GWYNNE. You referred several times to the necessity of creating conditions conducive to full employment. Do you refer there to action to be taken by the Government?

Mr. HINRICHS. I should say that it involves Government policy and private policy. At all places we should avoid those actions that retard production and employment, and should encourage those things that will create employment. It may involve a program on the part of the Government which will involve the underwriting of the total level of employment, with the general assurance that we don't intend to allow our resources to rust in idleness and our men to become unemployable by sitting at home.

Mr. GWYNN. In order to give full employment, I presume it would be necessary to utilize all existing factories and probably from time to time build new ones.

Mr. HINRICHS. By all odds; yes.

Mr. GWYNNE. Do you know of any way of getting that done except to let it be known to private industry that the reasonable profits they make from that venture will be theirs?

Mr. HINRICHS. Well, there are other methods of doing the job, but that is the method I should expect the United States to pursue, and that I hope we do pursue.

Mr. GWYNNE. Doesn't it get down to this: That the only hope of full employment depends upon the private employer and not the Government in the long run?

Mr. HINRICHS. The bulk of employment is necessarily going to be private employment. I personally want no Government-made employment that is not badly wanted by the taxpayer. We do want schoolteachers; we do want postoffices. There is, therefore, going to be a certain amount of government-created employment.

If employment resulting from normal business does not total 53,000,000, 54,000,000, or 55,000,000, it is perfectly possible for the Government to place orders for goods which have use in peacetime, precisely as in places orders for goods which have use in wartime, to insure whatever level of employment it wants to have. The answer to your question then, in part, is that the Government can contribute to the job.

Now, I think that the knowledge that public policy is going to be aimed at the creation of continuous high levels of employment, approximating 53,000,000, 54,000,000, or 55,000,000 people would itself have a great deal to do with determining how much private employment there would be without extraordinary Government action. A textile manufacturer will have a very different attitude toward the building of a new mill if he anticipates high levels of employment and high levels of national income, and expects an active market, than if he anticipates a depression. In the latter event he will put off building his mill and will contribute to bringing on the depression he fears.

Mr. GWYNNE. Just one more question. Would you say that a Government policy which eliminated private monopoly and insisted on free competition, was a policy conducive to increased employment?

Mr. HINRICH. Yes.

Senator MURRAY. Thank you, Mr. Hinrichs, for your statement.

Now, Mayor LaGuardia will be the next witness.

STATEMENT OF HON. FIORELLA H. LaGUARDIA, MAYOR, NEW YORK, N. Y.

Senator MURRAY. Mayor LaGuardia, we are very glad to have you here today, and we are sure you will be able to give us a good statement in connection with the problems that we have before us.

Mayor LAGUARDIA. Senator, I am not so sure. Within a very short time I am quite certain that Washington and the country will be flooded by experts who know all about how to solve the post-war problems.

At the present time these experts are busy conducting the war or telling Washington what to do, and to conduct the war.

Soon they will reach the tablecloth stage, that is, every place where there is a white cloth and a soft pencil, and they will be figuring out just how to solve these problems.

Now, if charts and tables and diagrams and statistics were employment, we would have no problem. But we have a tough situation

confronting us, no question about that. And it is going to be costly, very costly, but not so costly and destructive as war, and not so costly as it will be if we fail to provide intelligently ahead of time.

Most of us here went through the terrible unemployment period and we know how costly that was.

I have here the two bills now before the committee. One criticism I would make is that before a new agency of the Government is created, Congress should abolish at least five that exist today. I have always felt that the existing executive committees of the Government should have taken care of all activities rather than create independent agencies.

For instance, O. P. A. belongs naturally in agriculture; Selective Service and Manpower belong in the War Department; W. P. B. belongs in Commerce; and the War Labor Board belongs in the Department of Labor.

As soon as we can tighten up and get these functional departments where they belong, I think the better it will be in transferring from war to peace.

Now, it is evident that we are going to have a difficult period. Avoiding it or refusing to recognize it will not help. I want to say this in all sincerity: Unless we do provide intelligently, we are going to have very serious trouble in our country, very serious trouble for which it will take us 50 years to clear up. None of us want that.

I would say that the full fiscal year following the last year of the was is going to cost us as much as the last war year; and then there will be a gradual tapering down. I do not think there is any way out of that.

Senator MURRAY. Mr. Mayor, don't you think with proper post-war planning, there should be an opportunity to expand employment greatly in this country—to make a tremendous expansion over that which existed previous to the war?

Mayor LAGUARDIA. Oh, we shall have to do that; there is no question about that.

Senator MURRAY. And that can be done, can it not, without the need of any great Government expenditure?

Mayor LAGUARDIA. The first year or 2 it is going to require large expenditures.

Senator MURRAY. Of course, in the immediate period when we are changing over, but that is a temporary condition.

Mayqor LAGUARDIA. Oh, certainly. I am coming to that.

Senator MURRAY. Don't you think it is most essential that industry should maintain a policy, during this period of low prices and good wages, in order to bring about a possibility of full employment?

Mayor LAGUARDIA. Yes; I agree; but good wages and low prices are pretty difficult to bring about. I would say good wages, fair prices, and reasonable profits only—no excess profits.

Senator MURRAY. That is it. We have witnessed in the depression period a situation where industry increased its prices in the midst of the depression when the Government was spending billions of dollars to bring about employment, and as a result of those increases in prices, a recession was brought on.

Now, in the post-war period, if industry would avoid that and cooperate in a program of maintaining low prices and good wages, we would be in a situation to come through this period of reconversion very satisfactorily.

Don't you think so?

Mayor LAGUARDIA. Yes; but the purchasing power must be there.

Now, if the committee is considering the bill S. 1823—may I take some of these provisions and then I will come to this sheet?

Senator MURRAY. Yes; you may.

Mayor LAGUARDIA. On page 3, section 103——

Senator MURRAY. That is 1823?

Mayor LAGUARDIA. Yes, sir. I submit that the Board is too large. This will require quick thinking and quick moving, and a large board just cannot do that.

Senator MURRAY. That is section 103 on page 3?

Mayor LAGUARDIA. Yes, sir. Now, in section 104 it simply refers as a function to the demobilization of the members of the armed forces, and I like the more explicit and detailed provision in S. 1730 much better. I will discuss that when we come to it.

Now, gentlemen, when we come to title II, right there we come to the multiple agency, and from my own experience—and I have had only 40 years of it in government—it is easier to exchange prisoners of war with an enemy nation than it is to get two departments of Government having close or overlapping jurisdiction to working together. That exists in every government.

Therefore, I would like to see a shrinking of war agency, and it must have power—and I use that word advisedly—in the post-war adjustment, where there can be no question of jurisdiction and no jurisdictional jealousies.

Now, the public work on page 6, under D, I believe all of that power, the surveys, and the decision should be left with Public Works, particularly pertaining to a Government Public Works program rather than to separate those.

Senator MURRAY. Your statement there, Mr. Mayor, seems to be in accord with the Administrator of the Federal Public Works Administration.

Mayor LAGUARDIA. Now, some place here there is a provision making a committee of Congress part of the board, and giving it the right to sit on hearings.

Senator MURRAY. That is S. 1730.

Mayor LAGUARDIA. Now, I am strongly advising against that from my own experience as a legislator, and my own experience as an administrator and an executive. That simply never works.

Let Congress define the policy and then place all of the administrative responsibility in an administrative department of Government. But when you seek to bind the two, it simply does not work and it causes a great deal of embarrassment to the legislators involved, as well as to the appointed officials.

Now, on the surplus property, there is something that requires very delicate treatment, gentlemen——

Senator MURRAY. Before you go to that, Mr. Mayor, those provisions were carefully studied and worked out by the Post-war Planning Committee under the chairmanship of Senator George, and it was deemed, I think, very important by them that such a committee should be set up in order to keep in touch with the Government agencies, and

to be informed on the policies that were being carried out by them, so that they could have something to say with reference to what those policies should be, where they changed from time to time, and to see that they were carried out in accordance with the mandate of Congress.

Mayor LaGuardia. I am strongly in favor of the Post-war Economic Committee, both the Senate and the House, so that all these very important and delicate problems would receive prompt attention without conflict with any of the standing committees, and that committee is of such importance that it should be formed immediately of appropriate members of Ways and Means, Interstate Commerce, Agriculture, and maybe Public Buildings and Grounds. I am naming the House committees because I am more familiar with them.

But I know that a blending of the administrative agencies never works and is never expected to work out.

I throw that out as a suggestion. But I would like to take up, if I may, Mr. Chairman, surplus property, demobilization, and post-war employment in its relations to urban centers.

On the question of surplus property, that is not as easy a problem as it seems. I followed very closely after the last war. As soon as I was demobilized, I went back into the House and the problem was treated rather lightly until industry realized that it might cause a great deal of embarrassment, and I would say that a good job was not done in the disposition of surplus supplies after the last war, and I think we are all in agreement with that fact.

Now, gentlemen, we are going to have an enormous amount of supplies of every kind, nature, and description. The more we have, the more it is indicative that the Army, the Navy, and the procurement divisions have done a good job. I hope the Army and Navy will not be criticized when this country realizes just how much material it has on hand.

A war was never lost because an army had too much. Many wars have been lost because an army did not have enough.

So we might as well know now and expect a quantity of surplus supplies that will be fantastic.

Now, I know that in both bills there is an inclination to dispose of the surplus supplies in this country, and perhaps abroad. I am quite sure, gentlemen, that you will find before long that you will have to go very, very slowly in disposing of this property through regular channels of trade because there will be so much of it.

Even if you give the States and counties and the municipalities all that they say they want, it will hardly make a dent in what you have. Therefore, I would throw every safeguard around disposition of this supply so that it does not defeat the very thing you are after in getting industry back to peacetime production.

It is just a part of the waste of war, and if you try to recoup from that, if you try to sell it, you are just going to get into serious grief.

I believe that what we give to U. N. R. R. A. or any of the relief agencies engaged in providing aid outside of the country, should be inventoried and valued, and that we should be given credit as to our contribution to the total fund.

But when it comes to disposition of the surplus property to States, counties, and municipalities, I think you will find that the municipalities will be able to absorb more because of the function of municipal government.

Now, there will be great need for trucks, motortrucks, light cars, coupes for police and fire equipment and hose, road-building machinery. Counties, municipalities, and States will have great need for them.

And also, such consumers' supplies as blankets, clothes, and shoes for institutions and all the medical and surgical supplies that you will have, but the demand in Europe will be so great—I don't know much about the Far East—that perhaps the medical supplies and surgical supplies will not really be one of your big problems.

Food, of course, is perishable. But I believe that when we cease firing in Europe, that the demand for the civilian population there will be so great as to not create a serious problem, and that is fortunate, too, because we do not want to curtail agriculture in any way.

Now, at the present time, I wish this committee would check me on this.

Although the disposition of surplus supplies is very limited, it is getting into the competitive field already, and it should be stopped. Within the last few days I heard from my colleague in Birmingham, Ala., that several thousand raincoats were sold at a ridiculously low price.

The purchasing agent of Los Angeles who was in the market for motorcycles for his police department was looking around and could not get any and lo and behold, he learned of a number of motorcycles having been sold to a department store in my city who now are offering them for sale.

Now, this should not get started, because if you once get started in getting the surplus supplies out through the regular channels of trade, you are going to get into a great deal of trouble and do a very great deal of damage.

Senator Murray. At the present time, of course, there is no legislation controlling the disposition of this property and it is the function of Mr. Clayton, appointed by Executive order, to handle the situation.

Mayor LaGuardia. The trouble is that the supplies I am talking about do not reach Mr. Clayton's division. If they are Army goods, they are sold by the Army.

I think Mr. Clayton only gets it if it is surplus before it is delivered to the agency, or if it is declared surplus and then turned back.

Senator Murray. He is limited then under the Executive order?

Mayor LaGuardia. That is my understanding. I would not disturb that agency. It is a sort of a holding company which will issue directives to the various holding agencies. I think that is a good plan. They should have legislation though, if it becomes necessary to withhold the disposition of certain property from the regular channels of trade.

Senator Murray. You do believe, though that there should be a policy of disposing of that surplus property as quickly as possible?

Mayor LaGuardia. As quickly as possible to agencies of Government, and I would like to have the definition clarified when you are speaking of disposition to agencies of Government. The definition should include "State, county, and municipal government."

Senator MURRAY. What page is that?

That is 1823 you are referring to?

Mayor LAGUARDIA. Yes, sir.

Senator MURRAY. Paragraph A on page 15 provides that the Bureau of the Budget has a right to acquire any surplus property for transfer to any Government agency which needs it. Such transfer shall be made upon such terms and with such charge to the—

Mayor LAGUARDIA. Isn't that limited to Federal Government?

Senator MURRAY. I believe it would be. "Government" means the Federal Government.

Mayor LAGUARDIA. With all due deference, I don't think the Budget Bureau is the proper agency. A budget bureau should not do anything but attend to the budget. I don't let my budget bureau do anything else. They like to butt in, but I do not let them.

I think Clayton's agency is the proper agency to tend to that.

Senator MURRAY. That bill, S. 1823, has been redrafted, and I believe probably some of the things you are urging have been taken care of in the redraft.

Mayor LAGUARDIA. Gentlemen, in disposing of surplus property to municipalities and State governments, I want to submit that we should be given notice that the supplies are available. We have already had conferences with the Surplus Supplies Administrator, Mr. Clayton, and his Board, and we should be given an opportunity to inspect it, and purchase it before it is thrown open to the trade and, I still strongly urge that we move very slowly on that. But I know it is not necessary for me to urge that.

As soon as the impact is felt you will have a pilgrimage here to Washington that will be something.

But we should be given an opportunity to utilize these supplies at a very encouraging price.

In the first place, most municipalities will have to get legislation to come here and purchase, because they are bound by State laws on competitive bidding, and advertising, and so on. And, in the second place, we are all working with limited equipment now, it is being run down, and our cost of operation has increased because of the run-down equipment and we should be given some opportunity to make up for that in the acquisition of these surplus supplies.

Senator MURRAY. The municipalities of the country would be in position to take up a tremendous amount of that surplus property?

Mayor LAGUARDIA. Yes; it will be a tremendous amount, but relative to what you will have on hand, it will still be very little.

Mr. GWYNNE. A great deal of this surplus will need to be disposed of to the people generally. Isn't that true? If it is not handled through the regular channels, how can it be handled?

Mayor LAGUARDIA. Look. You will have so much that if this gets out into the regular channels of trade, you will delay getting back to the production of consumer goods.

Mr. GWYNNE. That is true, but what are we going to do with the surplus? Would we destroy it? Of course, a lot of it can be used in the liberated countries of Europe.

Mayor LAGUARDIA. It sounds so wasteful and destructive to say, "Oh, yes; get rid of it," but that is war. And what you have in mind, which is far greater than disposition of surplus supply, is to

get people back to work and normal conditions, and let normal life start again, and you are going to have such a tremendous amount of these surplus supplies that it is going to retard.

I am warning, because I am so sure of that.

Gentlemen, our big thing here is employment. In the first place, it is going to take time to get industries back and retooled to normal production. Even our large automobile companies haven't any definite program today of the type of car that they are going to put out. I circularized the large manufacturers recently to get an idea of the chassis type in considering an application to amend our taxicab requirements, and none of them know definitely just what type car they are going to get out.

I heard some of the questions put to the preceding witness. Everybody is in agreement that the bulk of employment, of course, must be by private industry. No question about that. There is going to be that fateful time, that period in between, where work will have to be artificially created, and there are two phases to that.

One is public works, and the other is rehabilitation, deferred maintenance, and expansion of existing industry.

The public works program will have to come into the bargain, and we can keep that pace up for 5 years without building anything that isn't absolutely necessary.

First, we must have the Federal public-works program.

Now, I have heard opposition to that, gentlemen, and I have heard opposition to Federal grants for municipal, State, and county public works. But they were the same gentlemen who came here to Washington, hat in hand, crying for help in 1932 and 1933. I was here; I saw them, I knew them. Before, when some of us over in the House were pleading for aid for unemployed, and we saw this unemployment increase each year, they were scoffing at us, they were laughing at us, they were sneering and jeering. They didn't know what to do.

Relief helped industry and the banks of this country in 1933, 1934, 1935, and 1936 just as much, if not more than, it helped the individual who was out of a job.

Now, the same people are crying about this public works program, and, I say, without any reservation, and advisedly, they have not learned anything since the crisis of 1932.

The Federal works program, gentlemen, has not yet started. There are no plans at all. And that is the fault of Congress.

It takes at least a year or a year and a half to get the plans necessary to start a public works job. If you will remember when Congress appropriated for P. W. A.—not W. P. A.—but P. W. A., after appropriating Congress naturally expected that now we will get things going. It took a year before any job started.

Now, then, I recommend strongly an immediate authorization for a vast Federal works program to follow the war, with appropriations made immediately available for the necessary engineering plans and architectural plans, and in some instances, perhaps, the acquisition of land.

I think it is rather reasonable and certain there will be a post-war highway program that is well on its way and we are working very

industriously on that and that will provide, I understand, about $3,000,000,000 for the first year.

The Federal works program is No. 1, and No. 2 now is authorization for Federal grants to State, county, and municipal public works.

If it is not done now it will be done later and will cost more.

I know what I am talking about, and on this I have a right to talk.

I am planning in my city to meet this situation. There isn't a city in this country that can embark on a post-war public works program without Federal aid.

The advantage of having it ready now is that your orders go in immediately for the bricks, cement, wood, trimmings, and everything that goes into public works. And I repeat, it will take a year to prepare these plans.

I started a year ago, gentlemen, and I am spending $30,000,000—that is New York City—for plans alone. And I would be very proud and happy if you would visit our post-war public works exhibit that opens Sunday. There it is.

And back of every one of those exhibits the plans are either completed or in the course of completion, and money ready to pay for those plans, and they cost $30,000,000.

And that will cover about $1,300,000,000 of public works, and it is geared so that up to the second year it will reach its employment of 240,000 men on the spot.

Of course, you all know the number of men back of that.

Now, manifestly, I will not have the money to build that entire program, but I want to be ready if there is money available. Everyone of them includes a useful project, and the entire list is in the hearing before the House Committee on Grounds and Public Lands—Fritz Lanham's committee. That is why I didn't bring all the data down, but it can be put into the record if necessary.

Now, we have checked through the Conference of Mayors on all cities. They all have a list of desirable and necessary public works, but few of them have the funds or finances to get the necessary construction plans.

I don't mean just a sketch. I mean the plans so the minute war is over we can advertise and go to work and put men to work. In the authorization for Federal grants to municipalities, counties, States, and public works, there should be some money appropriated and immediately available for the payment of these plans or grants for the cost of engineering and architects' plans.

I don't believe that the Government should advance any money for the acquisition of sites at this time at all. I believe there should be a token that the municipality will really go through with it in some form of assurance that the money will be available through bond issue, or otherwise, to go through with the public works.

Now, in New York City we are ready to go with $1,300,000,000. I had my Department of Commerce make a survey of what business would do immediately following the war, on rehabilitation, expansion, and deferred maintenance. This was a survey conducted very carefully, and we had a corps of engineers, and we personally surveyed about 10 percent of industry and business in our city, and covered, of course, most of the large ones. We know now that business and

industry—that includes manufacturing, communication, and transportation in New York City—will be ready with $1,600,000,000 of work immediately following the war.

We also went into the finances. Most of them will be able to finance it, and others, of course, will require loans.

I think this is a good place to suggest that part of this post-war program should provide for insurance of loans up to 90 percent where a case can be made out of necessary rehabilitation, deferred maintenance, retooling, or expansion. It would not cost the Government very much and would solve that problem entirely.

I give these figures as an index to what is available throughout the country if it is properly and thoroughly approached.

The public-works program, along with the rehabilitation of industry and commerce, should keep our heavy industry going and provide employment that otherwise would be displaced very substantially during the first 3 years. It would then start to taper down, of course, but the other normal peacetime industry would be picking up at that time, and we can maintain the necessary level of employment.

Now, in both bills reference is made to demobilization of the armed forces. The provisions in Senate bill 1730 are more in detail. I strongly recommend two or three things at this time.

At the beginning of the war, or even before the war started, I recommended very strongly that all overtime pay in industry should be paid in the form of untransferable, nonnegotiable, nonattachable certificates, payable at a given period after the war, and at given periods as each matures. That would be storing up overtime that is now consumed and would be very helpful.

I also thought—I think I testified before the Committee on Military Affairs in the House, or one of these committees—that when we provided the increased pay for the armed forces, I thought $20 or $25 might have been deposited in the Postal Savings bank to the credit of each man after the war ended.

That is past now. I still urge that all overtime should be paid in these deferred certificates of the Government. That would be very helpful.

Gentlemen, you can't tell when the war will end. Personally, I think it will be a blow-up at the top in Germany when the Russians come further west and we come in from the east. They can't take it; they never could; they can dish it out, but they can't take it.

I think it will be a blow-up at the top and we must be prepared for all eventualities.

I believe on all contracts now a greater percentage should be paid for unemployment insurance in order to extend the time of payment of unemployment insurance. Every month we gain on that will be just that much gain. I think it is folly, when we know there is going to be a subdetermination of this employment, not to make provision at this time.

Some 2 years have been lost, but that could be picked up immediately with an additional substantial contribution to the unemployment fund and an extension of the payments of unemployment benefits.

Now, gentlemen, we must have more uniformity of labor laws throughout the country. I heard impressive figures of available man-

power after the war and the absorption of manpower in normal peacetime industry.

To absorb this, it will be necessary to have your system sufficiently flexible so as to create a greater spread of employment by a shorter day and a shorter week. The way the shorter week and the shorter day has been administered has not created any more work and I am talking about that period before the war.

The purpose of a shorter day and a shorter week is to create more employment, but it has worked out prior to the war that it creates only overtime for the fellow who has a job and not a job for the fellow who is out of a job.

That makes it more costly in the cost of production, but does not provide employment which is its real purpose.

I will give you an instance. Some 7 or 8 years ago we had a deadlock in the trucking situation in New York City. I sought to settle that strike. We started Saturday morning and went late into the night. They were in agreement as to a 40-hour week. A 40-hour week would put 2,500 men to work at the peak of unemployment.

The word came out and the 40 hours was spread through the entire week so that every man with a job got an hour or two overtime every day instead of putting on a new shift at the end of the day.

The gentleman preceding me spoke about old-age pensions. That's all right. But anyone who enjoys full retirement or old-age pension should not be permitted to take the job of the fellow who is out of work, and that is what happened. I have lost at least 2,000 police officers in New York City who retired after 20 years in middle life, the middle forties, to take other jobs.

Now, when the war is over, they can afford to work for less. They displace a man who depends entirely on his employment for a living.

The way to get at that, I should think, would be that old-age pensions and retirement pay should be tax-exempt, but if they take work they should lose the tax exemption. And the same with an employer. If he hires a retired or pensioned employee, he should not be able to deduct that amount.

And with compulsory education throughout the country, we will keep so many more away from the competitive labor market. And on demobilization, I hope that is done very intelligently and very gradually.

I prefer the plan where, when the veterans' organization arrives home, rather than to give him his severance bonus or his discharge money, he be given a 3 or 6 months' furlough. Let him go home during that period and if he finds employment, he can then apply for immediate discharge. I would have that period of 3 to 6 months before the discharge on a full and complete furlough.

I think that will be less costly and it will be more helpful.

In Senate bill 1730 provision is made for the education of veterans, and that is an excellent provision. And there, gentlemen, I want to suggest that you look up the history of veterans' rehabilitation after the last war.

In my city it was nothing short of a scandal. Mushroom schools sprang up and the school that had less requirements as to supervision was the school that got most of the students.

I don't know how many thousands were taking up sign painting. All they had to do was to register, they were not particular whether they attended at all, and the boys got their compensation, and when it ended, they didn't know much about sign painting.

We had schools of newspaper photography. Boys went to that. That was an easy school to go to.

We had one in automobile repairing and nobody ever attended classes.

I suggest that all schools should be certified before being qualified to take the veteran, and no private institution which has not been it ended, they didn't know much about sign painting.
should qualify as an institution to instruct veterans.

Senator MURRAY. Would they have facilities or capacity to handle the job?

Mayor LAGUARDIA. No; but they could expand. And also make provisions, please, because we can't stand it, where you have public-supported institutions to provide for payment for them. We cannot possibly expand. We have taken boys of 18 years of age and some enlisted younger, and we have a large number of boys who have not yet completed high school.

It is going to be difficult to get those boys back to school. We are preparing to have an academy, rather than school, attached to our public-school system, so the boys can go to an academy, rather than school.

It is a minor thing, but it is very important. Most boys have been interrupted in their college work and they should be given a full opportunity to complete their education. The more we can get there the better it will be.

Senator MURRAY. Those provisions with reference to free education and training for discharged servicemen are contained in Senate bill 1823. I believe you referred to them as being in 1730.

Mayor LAGUARDIA. Yes; 1730 has a provision also for the war worker—for rehabilitation. I think that is very necessary, too.

I think we have had some correspondence on the publicly supported schools and higher education and they should get the same allowance as a private school.

I think the Wage and Hour Administration ought to be tied in with this post-war agency in order to control the division of work and provide the division of work.

And now I am going to say something that I know will get me in bad with labor, but they will have to face the situation—that is, provision for annual pay rather than a per hour rate.

Labor opposes that—some labor does very bitterly.

Senator MURRAY. My understanding is that the C. I. O. and the A. F. of L. do not oppose it. In fact, they advocate it.

Phillip Murray was here the other day and he advocated it, not as a matter for immediate legislation but as a goal to aim for.

Mayor LAGUARDIA. I am glad to hear that. I have a great deal of trouble with that. There is a school of thought who believe that the high hourly rate without steady employment is better than steady employment.

For instance, take bridge painters in New York City. I think I have a couple of hundred of them. Their pay, I think, was $13.50 a

day. I may be wrong on that figure, but we will take that. They cannot work every day. They can work only in good weather, and they don't work on holidays, and so on.

I put them on annual pay. I started them off at $2,750, and now, with the cost-of-living bonus, they are getting $240 more.

Last year, when the weather was bad, they were picketing City Hall because I wanted to put them an annual pay and yet they bring home more money steadily every month than they ever did before.

We are having the same difficulty with the men who repair streets. It doesn't cost more and yet it increases the income of the worker.

And I also believe that seasonal work is susceptible to being spread out and adjusted. I have a plan for annual pay for building trades and I know I am going to meet with very bitter opposition.

Senator MURRAY. From the building trades?

Mayor LAGUARDIA. From the building trades.

Senator MURRAY. My experience has been that labor is in favor of a program of annual pay. We had hearings in 1938 and at that time representatives of unions appeared here and testified in favor of it.

Mayor LAGUARDIA. I know I have a great deal of trouble. With a plant such as the city of New York, we employ thousands of skilled and semiskilled workers, and my tendency is to put them an annual pay as much as we can, and we find resistance all the time.

In our enormous building program, we have at least $125,000,000 of low-cost housing not included here in that $1,300,000,000.

We have the money for it. We could reduce the cost of the construction of those houses and yet guarantee an annual income greater to the skilled worker than they get now.

That sounds paradoxical, but is true. The cost which is greater than the actual expenditure is what the contractor has to figure on for the overtime, and he naturally allows himself a reserve, and it makes the building more costly.

Senator MURRAY. I should think that would be a very tremendous advantage. It should stimulate construction.

Mayor LAGUARDIA. And of course the families are happier. When some of the wives of the painters wrote me and I told them of my plan, the men started coming back very rapidly and we have them now on an annual wage.

But all this, gentlemen, requires a great deal of detailed work and there is one thing I want to urge. That is, that the program be formulated with the least possible delay and necessary appropriations made and the machinery started.

Stability, of course, in business and industry is necessary. If industry and business could have an inkling of the taxation program for 4 or 5 years, it would be very helpful.

I see the difficulty in that because one Congress can't bind another Congress, but some sort of assurance as to just what that program will be for say 5 years, just so they can adjust themselves to it, will be very very helpful.

Senator MURRAY. I think that all of your recommendations will be recognized by the Post-War Planning Committee as extremely important and necessary, and I agree that the Public Works Program sould be planned now and have it all ready, ready to be put into effect only to the extent necessary to supplement private industry.

Mayor LAGUARDIA. We are all in agreement there.

Now, just one more thing and that is the migration of the workers now employed in war towns.

We are very much concerned about that because they will all gravitate to three or four or five or six large centers, and we will not be in a position to care for them.

If they all flock to Los Angeles and New York, and a few other centers, I think that is the responsibility of the Federal Government, and that the urban centers that will attract them ought to be relieved of that responsibility.

Surely they can't stay where they are because there is not the accommodation for permanent homes there and, therefore, in relocating those people, they should be advised and consulted and aided in going where employment would be reasonably certain.

Senator MURRAY. Mr. Mayor, before you leave the stand, you spoke about the municipalities having to wait for Federal legislation before getting their own State legislation in effect for the disposal of surplus property.

Mayor LAGUARDIA. There is nothing you can do to help there. They have to go through their own State legislatures.

Senator MURRAY. In order to formulate a State legislation, wouldn't you have to know what the Federal program of disposal of property is?

Mayor LAGUARDIA. Yes. We had a very satisfactory meeting with the surplus buyers. They will meet our situation as nearly as possible, but you can't expect them to enter competitive bids and, therefore, municipalities will have to get legislation from their own State in order to meet the requirements of the disposal agency of the Federal Government.

Mr. GROSS. Are the mayors adopting a standard bill to present to legislatures of all the States?

Mayor LAGUARDIA. Yes; in my case I can get exemption by applying to the board of estimates. But in the majority of States, they can't. That is because of abuses in the past, of course.

Mr. GROSS. When do you expect the State legislatures to act on these questions?

Mayor LAGUARDIA. I think they will act when they are in session where it is needed. The benefit is apparent, so I do not think there will be any hesitancy. It can be limited to that one source of supply.

Mr. GWYNNE. I think you are to be congratulated on the building program you have in mind for your city. I wish there were some way to encourage all cities and towns in the country to do likewise.

They may be thinking now of airports and sewage-disposal plants. Isn't that true?

Mayor LAGUARDIA. They haven't the money to plan.

Mr. GWYNNE. Does the planning take much money?

Mayor LAGUARDIA. Three percent of your cost.

When I say "Plan," I mean engineering or architectural plans, all the specifications, so when the war is over we can advertise. That is what happened in P. W. A.

As I said, my plans are costing $30,000.000 and my children will never hear the end of it if we can't go through with it.

It is a 5-year program and that does not include housing. That is $125,000,000. I have the money for that.

Now, if Congress will provide the grants so that the municipalities will know they will get 50 percent of the cost if approved, and then provide 60 percent of the cost of the plans applicable to the cost of the improvement, improved improvements, every city is ready to go. What they need in deferred maintenance is in and of itself, but it costs, it costs money.

Your Federal works planning alone, I think, what you can spend will be several million dollars in planning alone. The trouble was, gentlemen—maybe I should not say this—but when the planning board came here they were not practical. Very splendid gentlemen, but they were visualizing a remaking of cities, and they repulsed rather than encouraged interest and attention, and Congress became impatient and just wiped out the consideration of $100,000,000 for planning contained in one of the bills.

This was about 4 years ago, was it not?

That is not what I mean by planning. I mean the practical, necessary construction plans to go to work on necessary projects without rebuilding all of New York at one time.

I would love to do it, but it just isn't practical. You can't rebuild a city like that.

Senator MURRAY. That concludes your statement, Mr. Mayor?

Mayor LAGUARDIA. Yes.

Senator MURRAY. I wish to thank you on behalf of the committee for your valuable suggestions and the points that you have made. I think they are very well taken, and I appreciate your attendance here this morning.

Thank you.

Mayor LAGUARDIA. When I get my annual pay plan worked out may I send it to you?

Senator MURRAY. We will be very glad to have it. Thank you, very much.

Now, our next witness will be Mr. Luhrsen.

STATEMENT OF J. G. LUHRSEN, EXECUTIVE SECRETARY OF RAILWAY LABOR EXECUTIVES ASSOCIATION

Senator MURRAY. Mr. Luhrsen, you will first state your full name and your official position, please.

Mr. LUHRSEN. My name is J. G. Luhrsen. I am executive secretary of the Railway Labor Executives Association, Washington.

Mr. Chairman, I will hand the reporter a copy of our letterhead which shows the organizations which are represented, and I would like to have those shown in the record.

Senator MURRAY. Thank you. That will be incorporated in the record.

(The organizations listed are as follows:)

Brotherhood of Locomotive Firemen and Enginemen.
Order of Railway Conductors of America.
Switchmen's Union of North America.
Order of Railroad Telegraphers.
American Train Dispatchers' Association.
Railway Employees' Department of American Federation of Labor.
International Association of Machinists.

International Brotherhood of Boilermakers, Iron Ship Builders and Helpers of America.
International Brotherhood of Blacksmiths, Drop Forgers and Helpers.
Sheet Metal Workers International Association.
International Brotherhood of Electrical Workers.
Brotherhood Railway Carmen of America.
International Brotherhood of Firemen and Oilers.
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees.
Brotherhood of Maintenance of Way Employees.
Brotherhood of Railroad Signalmen of America.
National Organization Masters, Mates, and Pilots of America.
National Marine Engineers' Beneficial Association.
International Longshoremen's Association.
Hotel and Restaurant Employees' International Alliance and Bartenders International League of America.

Mr. LUHRSEN. Mr. Chairman, and members of the committee, the Railway Labor Executives Association, which I represent, emphatically endorses the principles and methods set forth in Senate bill 1823, introduced by Senator Kilgore, of West Virginia. We are impressed with the broad attitude toward reconversion taken by this bill and particularly by the bill's recognition that the kind of world we live in demands simultaneous and coordinated treatment of the problems of industry and labor.

Senator MURRAY. Mr. Luhrsen, have you seen the revision of that bill?

Mr. LUHRSEN. I received it just this morning, and I have not read it very carefully.

Senator MURRAY. You may complete your statement and if you wish you may submit a supplemental statement commenting on the bill as revised.

Mr. LUHRSEN. As I understand, this is more or less coordinating the related subjects as far as I have gathered so far. I have not read it thoroughly.

Senator MURRAY. Very well. If you desire, you may submit an additional statement.

Mr. LUHRSEN. Merging the Murray-George bill on contract termination with Senate bill 1823 would result in the first large-scale intelligent attack on the problem of reconversion. Before discussing certain charges I would recommend in S. 1823 to take care of the special problem of railroad labor, I want to summarize my own views toward reconversion.

One hundred and thirty million Americans have been thrust into a war not of their own choosing. We have joined with the peoples of the other United Nations, dedicated our lives and fortunes to the smashing of fascism and Fascist control of the earth.

Frankly, most of us have thought too little about the meaning of fascism and nazi-ism and understood even less the reasons they have come into being. We have not learned to hate these systems hard enough to want to do the things we must to pull them up by the roots.

Fascism and nazi-ism are built on fear, on insecurity, or starvation. They set race against race, religion against religion, class against class. And they set up a system of control by which a few at the top grind down millions enslaved at the bottom.

That is the system we are fighting to abolish. And as we fight it, we must understand the kind of fight we have been waging and what it means for the future of this country and perhaps of the world. We can never go back to the pre-war world of fear and insecurity and semistarvation, for if we do, we shall have lost the peace in winning the war.

It has taken the destructive purposes of war to show the American people—industry and labor and Government—what we can do.

By making destructive tools of war, we have learned what an enormous productive capacity we have. There has been waste in developing this giant production and, as we have urged in the past, we could have produced much more is less time if we had set about it in a more rational way. We have learned to tap new resources of labor—both men and women—and we have developed new techniques and we have raised out output per hour.

There has been waste and hoarding of labor too—we have by no means exhausted our reserves. And we have spent huge sums of money—billions more than we ever dreamed of—to turn out this vast product of destruction. We are spending more for war in 1 year than we spent in 10 years of the depression on our unemployed. And I think too, we have learned a little bit about cooperating intelligently and rationally to achieve common ends even though we make mistakes.

I say we cannot turn our back on these lessons of war. There are some people—yes, many people—who want to return to the "good old days." This would mean a return to curtailed production levels, to principles of scarcity and starvation, a return to bread lines and a vast pool of unemployment to drive down wages, a disregard of the basic human right to security in favor of the untrammeled right of a few to guaranteed profits. We should never return to that kind of world.

Consider, for a moment, the financial aspects of war and peace. At the outset, let me say that I lose patience with those who preach retrenchment and whose chief concern is the cost of demobilization.

We have spent tens of billions of dollars on the prosecution of the war; and we shall not hesitate one moment to spend even greater sums if they are required to achieve victory. Against a backdrop of such vast outlays, what meaning can there be to the argument for frugality?

We must realize that demobilization is inseparable from the prior phases of the war; it is an integral part of that mighty undertaking, and to carry it through to a successful conclusion demands a willingness to think in broad new concepts and to free ourselves from the trammels of pre-war budgetary ideas. Certainly the war should have changed our whole financial frame of references, our whole notion of what is costly and what is not.

Let us remember that the boys who are risking their lives on the battlefields are fighting for prosperity as well as for peace. These objectives will not yet be won when the enemy forces lay down their arms; that is only the first condition.

And we who have lived through the interim between two wars know that peace itself is a mirage in a world of half-starved nations. We have not stinted in our expenditures to bring the aggressor nations to terms, to achieve our immediate military aim. By what logic do we suddenly draw the purse strings tight, and seek to fulfill our broader

aims only to the extent that a miser's budget allows? Is this keeping faith with our men and women under arms? Are they measuring in teaspoonfuls the blood they are shedding to make possible a better world? In all conscience, when they have generously offered their lives, we can hardly stop short at any expenditure to create an America which is worthy of them.

We have spent money and lives on a vast scale to wage this war, to assure merely the preconditions of a lasting and prosperous peace. It would be criminal folly at this point to permit absorption with budget-balancing and related matters to hinder us from completing the job.

As a labor representative, I should like to make just one observation about the attitude toward expenditures. You and I both recall that every outlay for relief and for a work program during the thirties was met with insistent cries by a small but powerful group of people that we were unbalancing the Budget, that we were frightening business by heavy taxation, and that we were destroying the normal business incentive to invest. We were then talking only in millions. Today, however, when we are spending hundreds of billions of dollars for destruction, for goods which will have no value whatsoever within a short time after production, no one raises a voice of protest. I find it rather interesting that those who would not invest for peace are more than willing to invest for war.

Mr. Chairman, there has been considerable talk in the press and at some of these hearings of the necessity for passing a contract-termination bill alone before any other measure is passed to take care of the problems of reconversion.

I know that you and other Senators have had considerable interest in insuring prompt payment, particularly for subcontractors and small businessmen upon termination of their contracts. I think there can be no quarrel with the principle of speedy termination of contracts provided, however, that the Government and the people are given some protection against fraud. It is to be expected that in a program of this vast size there may be carelessness in drawing up contracts and renegotiations and in the termination of contracts. I would advocate that contracts be paid promptly upon termination, but that the Government retain the power to reinvestigate the contract and its termination.

However, we in the railway labor movement are thoroughly opposed to the notion that a contract-termination bill is the keystone of our reconversion program, as some business interests would have us believe. I note that some witnesses before your committee have indicated that we should first pass a contract-termination bill and then proceed to consider the so-called controversial measures.

With all due respect to those who advocate such a procedure, I must insist that it is completely unrealistic. In the first place, all but a very small fraction of American war contractors are in a thoroughly healthy position to meet the problems of transition to peace. War contractors have succeeded in obtaining the kind of favorable terms that will give them plenty of cushion for the reconversion and post-war period.

In the second place, industry as a whole has accumulated tremendous reserves. An article in the Survey of Current Business for February 1944 pointed out that during 1942 and 1943 business enterprises—

exclusive of banks and insurance companies, increased their holdings of cash and Government bonds by somewhere around $35,000,000,000.

In addition, many more billion dollars will become available to business upon the termination of contracts. This article further points out that as a matter of fact the real problem of reconversion will hit only those pre-war plants which are now producing a markedly different product during the war. It goes on to state—

> the preponderance of pre-war manufacturing facilities are being used to produce normal peacetime products or products so closely related to normal products that no significant reconversion of plant or equipment will be necessary at the end of the war.

In addition, war contractors have been most generously dealt with by our tax program. I listened attentively to Mr. Philip Murray's testimony before your committee on this matter yesterday. I might add that I agree with Mr. Murray's views on the subjects and furthermore on the need for maintaining a minimum floor for labor comparable to that established for industry and agriculture. The effect of the tax-carry-back is that many war contractors could considerably curtail their transitional and immediate post-war production and still be well taken care of. It may be interesting to inquire what, if any, incentive this kind of tax generosity provides to make business produce a larger output rather than a smaller one.

This brings me to a final conclusion. The Government, particularly the procurement agencies, have been most generous with business during the war in order to insure the greatest amount of war production. While I am in agreement with every effort to deal fairly and quickly with industry on contract termination, I completely disagree with the philosophy that providing funds for business is the chief stimulus for increasing production and employment.

As the carry-back provisions of the tax law might indicate, there may even be an incentive to reduce production by taking too good care of industry. But even more important than this, the basic philosophy of pouring money in at the top in order to achieve maximum production and employment has been completely discredited. This was the philosophy of our first efforts to deal with unemployment following the crash of 1929. It is the philosophy which I am sad to say a number of businessmen still believe in. Many firms earned profits even during the depths of the depression. That did in no way mean that they increased their employment. The facts were that they decreased employment and production.

I want to digress from that prepared statement and take as an illustration the railroads.

In 1920 we had employed on all railroads in the Nation 2,022,000; in 1933 this dropped to 1,031,000; and in 1933, for the year it was 970,000, but for 1 month during that year we were as low as 933,000.

Now, I want to say that we willingly—rather reluctantly, but willingly—did agree with railroad management for a 10-percent deduction—not a deduction in our basic wage—for the total of 2 years.

That total estimated now is perhaps $350,000,000. That was in 1932 when there were 1,032,000 employees.

We hoped the railroads would thereby give us more increased employment, but in 1933, it went down to 933,000 in 1 of 2 months.

In addition to that, the railroads borrowed from the R. F. C. in 1932, $284,000,000, using round figures; in 1933, $109,000,000; dropped down to $53,000,000 in 1934 and in 1935, 1936, 1937, it was around $35,000,000, but in 1938 it went back to $88,000,000.

Now, after I have shown you the picture you will see the putting-in of money at the top did very little good in increasing employment.

We, in the Railway Labor Executives are deeply concerned with this cut-cropping of a discredited method of dealing with the problem of unemployment. We see not justification for the attitude that providing guarantees for industry is a simple and safe piece of legislation, while providing security for human beings is "controversial" and there to be left to the last.

I should like to make one or two other comments about the general problem of reconversion and demobilization. I think it is imperative that we provide decent interim unemployment benefits both for our returned servicemen and women and for the millions of workers who will be left to shift for themselves when contract are terminated. I think it would be the greatest of all wastes—a waste of the human resources which are the most valuable resources we have—if we did not take care of these people.

None of us regard increased unemployment compensation and the possibility of retaining as anything but an interim stop-gap proposal. We are concerned with conserving and developing these human resources. They cannot be conserved or developed and the huge industrial potential which we have built may well topple if we do not plan for jobs as well as for unemployment compensation. As I stated earlier, one of the lessons we should have learned from our conduct of the war is the need for integrated planning and program.

There is a widely prevailing view that planning means the worst of Government control and bureaucracy. Frankly, I think those who talk this way are talking nonsense if they mean it, or are laying down a smoke screen if they do not. I want to be quite emphatic about this. We wasted manpower and facilities and money during the war because we did not plan and we did not set up an integrated agency to the planning and to coordinate the activities of various agencies until late in the war. But even that lack of planning was planning—it just happened to be poor planning. For what does lack of planning really mean? It means that instead of coordinating your planning, of getting the views of all groups, sifting them and weaving them into a workable pattern, we let the planning be done in thousands of little sectors all over the economy, without any coordination.

We do not want the same situation to be prevailing in the transition and post-war period. Those who object to planning are actually those want to do the planning in their private cubbyholes, not subject to public scrutiny.

I would go further—if they have not seen the lessons of this war clearly those who don't want to plan are those who envision a contractor of the economy. They want new producers kept out of the market and they want to starve out the small producers. They take the same attitude toward small business that they take toward labor. They believe that the answer to the unemployment problem in the transition period and in the post-war period is to ignore unemployment. This is what I call the disappearance theory. That is, they can never tell how many people are actually unemployed because over-

night millions of people will—they say "disappear" from the labor market.

The Kilgore bill S. 1823, alone of the bills before the committee, addresses itself to the whole problem of maintaining an economy of full production and full employment after the war. Our association has endorsed the bill and urges that Congress act speedily for its passage. We are opposed to a piecemeal legislation approach. We therefore urge your subcommittee to incorporate the provisions of S. 1718 into the over-all mobilization and post-war adjustment measure.

It is my understanding that S. 1823 is, in its present form, primarily a statement of principles and methods, and that it is the hope of its author, Senator Kilgore, that this subcommittee will perfect it in detail. The remainder of my testimony is concerned with an analysis of the bill, the need for some of its provisions and suggested improvements. I am informed that the bill is currently being revised. Doubtless some of these recommendations have already been incorporated into more recent drafts.

Title I of S. 1823 provides for a centralized office of mobilization and post-war adjustment. The problem of converting a peacetime economy to war taught this country the need for unified action on the part of the Federal agencies so that they could function efficiently 1 year ago.

That was on S. 1607 of which you were one of the introducers, and Senator Thomas and one or two others.

At that time I testified that Congress should take the initiative in setting up a mobilization office.

The problems of converting from war to peace are even more complex and a unifying office is sorely needed. If such an office is to function effectively it should be set up by legislation immediately. It would be a mistake (as was orginally proposed in the Murray-George bill, S. 1730) to set up an Office of Demobilization as a body separate and possibly conflicting with the present Office of War Mobilization. The maintenance of our facilities for war production and conversion of others to civilian production as the war progresses must be supervised by the same agency.

This title provides for the concentration of final authority in a single director who is to be guided by a National Production Employment Board made up of representatives of industry, agriculture, and labor.

The importance of this type of cooperation should not be underestimated. This country can be wrecked if industry, agriculture, labor, and government do not work as a team to maintain and expand production and employment. There is an equal need for such cooperation with respect to major industries and joint management-labor boards should be provided for each industry.

Title II provides a clearing house for war and post-war as they arise. We have hundreds of private groups and dozens of public bodies sifted so that the best of them can be embodied in practical operating programs. Such programs should be worked out in close cooperation with the proposed joint industry-management-labor-agriculture boards.

In this connection, I should specifically add transportation to the surveys outlined in section 202 (d) to make sure that our industry will be taken into account specifically. It is not specifically stated in that section. In the case of the railroads the passage of this legislation would open the way for the reconstruction of this industry. It would be a boon not only to railroad industry and labor but also to all other sections of the population.

In the last war there was no agency to survey continuously the status of employment and production and as the war ended no provision could be made to maintain and expand production. This was one of the main factors in the post-war chaos of 1919 to 1923.

There will be some necessary lag between civilian production and war production but this can be kept at a minimum if title III is enacted and carried out efficiently by the War Production Board.

The safeguards provided for small business are indispensable as are also the provisions for industry-labor participation in development of maximum peacetime production as wartime needs are reduced. It is important that civilian production be resumed in the order of its essentiality and this should be clearly written into this title. Thus materials and manpower should be allocated as early as possible not only for new railroad rolling stock, but also for safety devices and other necessary transportation devices. Companies should not be permitted to begin the manufacture of luxury items while materials and manpower are still not available for essential items.

I shall not comment in detail on the section dealing with disposal of surplus war property as I understand it is being revised extensively. The title IV should not permit the destruction of any war property. Surplus war property should be disposed of as rapidly as it becomes available and for the most useful purposes. I am told that some of the present radio equipment manufactured for the military will no longer be required. No doubt, there are many places where this equipment could be used now.

At the moment, we are confronted with a national emergency, and great industrial changes must take place as our economy is reconverted from war to peace production.

Plants will be closed down by decision of the Federal Government; workers will be unemployed as a result of these same decisions. Every contract that is terminated leads to unemployment in a war plant, which may, if there is a lag in production, also lead to unemployment in steel mills, on railroads, and in coal mines. Provision is being made to deal with industry's problems. It is true that some of this provision has been generous, as for example, the large refunds in taxes which have been provided by recent tax laws. We are not asking that similar lavish treatment be given the workers of America. But we do want decent guaranteed minimum standards. The Kilgore bill, to us, provides a minimum standard of income to workers available for work and who are unable to get employment through no fault of their own.

Workers want jobs, but if they do not get them through no fault of their own, if they do not get them because of failures of industry to expand rapidly, they will not again tolerate starvation. Senator Kilgore's proposals which have been substantially paralleled by Direc-

tor of War Mobilization Byrnes, will provide such minimum security. It recognizes now the Federal responsibility for unemployment during the period of reconversion, and does away with the possibility of a patchwork of relief systems, and finally, as I have already stated earlier in my testimony, by providing a minimum income to American workers, it prevents the bottom from dropping out of America's economy as it did in the period 1929–33. It assures that the essential products needed by Americans will be purchased and will support industrial production.

The emphasis of title V of S. 1823 on job placement and training is the only sound approach to keeping this unemployment at a necessary minimum. I see a very useful function performed by such training and placement in the railroad industries. As our war veterans return to civilian life, many of them will go back to their former positions in the railroad industry to which they are entitled; some of them will need retraining. This should be provided. As these veterans take back their old jobs, some of the workers who went into the industry to help keep our war transportation moving will be discharged. They, too, may need retraining for some other industrial pursuit where employment opportunities will be available. This, too, should be provided.

This bill provides that emergency unemployment compensation be paid to all workers whether they have been servicemen or civilian war workers. This is not only a matter of justice but of economic necessity in a country which can and must provide enormous economic abundance. I would like to make some detailed suggestions for the revision of this particular title of the bill.

Certain administrative provisions are left to the regulation of the Work Administrator. This seems to me highly undesirable since the Administrator will be subjected to enormous pressures from every direction and he should, particularly on matters of controversy rather than on matters of technical administration, be fortified with a clear statutory directive.

Among such matters are the provisions concerned with disqualification. The provisions with respect to disqualification of suitable workers under the Railroad Unemployment Insurance Act, and some minor modifications would be highly desirable in this connection.

The usual provisions with respect to ability and availability to work may be waived by the Work Administrator in a period of illness or disability. Clear statutory policy is highly desirable in making this provision.

Payments for partial unemployment are left to the regulations of the Work Administrator. This is a matter on which Congress ought to lay down the rules, and here again I suggest that the provisions of the Railroad Unemployment Insurance Act would be suitable.

The $600 wage qualification is relatively high. In fact, I think excessively high. The qualifications are considerably higher than present qualifications under State laws and under the Railroad Unemployment Insurance Act.

I think ours is $150.

I understand from Senator Kilgore that he has every intention that railroad employees be covered in the perfected legislation and that the bill as drawn was intended to show broad coverage and failed to refer to railroad employees and the Railroad Unemployment Insurance Act through an oversight. I would like to make a few comments on the administration of this section.

As an emergency measure, the administration by the States of this unemployment compensation for groups for which they have records, is ecrtainly a desirable approach since it will permit the law to be put into effect virtually overnight.

On the other hand, for the same reasons, certain classes of employees should receive their benefits through other agencies. Railroad employees should receive benefits through the Railroad Retirement Board which maintains unemployment records for their workers. Federal employees and maritime workers should receive their compensation through a Federal agency, preferably the Social Security Board. As far agricultural workers, it would seem to me that since at present there are no records of their employment, the administration of their benefits could be accomplished either through the States or through some Federal agency—here again preferably the Social Security Board.

I want to say a few things about the hearing of this legislation on the railroad industry. As you doubtless know there has been a long-time downward trend in employment on the railroads. I think one of the main reasons has been the failure of the roads to keep up with equipment, by putting in modern equipment and facing up to the problems of a motorized and airplane world. While the roads are doing a fine job during the war, we must remember that in this sector of the economy as in so many others, there is vast room for improvement. Prior to the war the railroads permitted a vast deterioration of their equipment, in addition to failing to take steps to modernize their equipment to meet competition. The result was that during the depression the failure of the roads to buy new equipment was one of the basic factors in keeping our economy at low levels. Even worse, when war came on the roads were without the most necessary equipment to carry their wartime loads. It makes bad reading to compare their resistance to buying new equipment in the early stages of the war and preparedness and their later frantic efforts to get as much equipment as they could, just when railroad equipment and the facilities for building it were most needed to turn out the tools of war.

Now the railroads face the problem of modernizing their equipment in order to face the vastly expanded competition by air and motor road. They have a real contribution to make to the economy if they set about modernizing their equipment, if they introduce new safety devices, new brakes, improve block signaling, introduce radio communications to prevent accidents and better control traffic. Above all, they must reverse a long-time trend toward heavier cars, bigger locomotives, slower and fewer trains—a trend which has driven the small shipper to the trucks and now to the plane.

And I want to emphasize that particular phase of the railroad industry is not going to increase employment.

Years ago, as far back as 1905, when I was dispatching trains, we had small 17-inch cylinders. We would take a train in Montpelier of 22 cars and go into Detroit, 93 miles distant.

That train would leave 20 minutes ahead of the faster scheduled train we had out of Detroit, and would go in 20 minutes ahead of it, the same as at Montpelier.

We don't do that today.

Now the shippers that have small shipments will take the truck. We have lost a lot of that business, and we are going to lose more of it if we don't wake up.

If the railroads will rise to their opportunity, they will break away from their sheltered monopolistic position and make their way in the free competitive market. And they will also be providing new employment opportunities. For I believe that railroad travel will not fall off, that as restrictions are removed there will be more travel, and that if the economy as a whole keeps operating at high levels, there will be an increase in freight movements.

I make these remarks to show you that the fate of the industry is closely bound up with the fate of the economy as a whole. The railroad workers are therefore terribly concerned with any failure of the economy to function properly during the reconversion period. They are similarly concerned with seeing that the economy keeps at high levels in the past-war period. And when we consider the problem of technological unemployment that faces us, we would want to strengthen and add to the program bureau outlined in Senator Kilgore's bill to take on the job of making recommendations for handling technological unemployment. We feel that more adequate unemployment compensation during the period of reconversion, provisions for retraining workers, and the efforts made to keep the economy in full production will go a long way to solve the immediate problems of technological unemployment.

Senator MURRAY. Mr. Luhrsen, I think that no one can fail to agree with you on the basic questions that you advocate there in the post-war period. I think that I can agree with everything you said. Also your observations in regard to the short-sighted policies of business and railroads, as you mention them; their failure to modernize and to keep lower rates, maintain lower rates, which has been a very serious obstacle in the development of the railroads of the country. Has it not?

Mr. LUHRSEN. That is right. I think it has.

Senator MURRAY. They were compelled at one time to reduce rates and they fought that very bitterly, did they not?

Mr. LUHRSEN. Yes.

Senator MURRAY. And when it was finally put into effect it was found to greatly increase their revenue, was it not?

Mr. LUHRSEN. Yes; and you know as well as I do that the Commission did grant them an increase a year or so ago and the O. P. A. contested that and said there was no need for it and the Commission then deferred putting it into effect, and I think it is again before them now as of May, and I wouldn't be a bit surprised if they would again defer that increased rate.

Senator MURRAY. Yes.

And the same applies to business generally, if they don't recognize the need to maintain reasonable rates and the lowest reasonable rates

they can afford to have in the post-war period while maintaining high wages, we are not going to be able to meet the problem of unemployment.

Mr. LUHRSEN. That is correct.

Senator MURRAY. I agree with you in everything you say of the need for the highest cooperation between labor and business in the post-war period.

Mr. LUHRSEN. I think we should be very close together in management and labor in discussing the problems both ways, what effect it has on us and what effect it has on them.

Now, I think Henry Ford has perhaps made the greatest contribution of any—not that I have any particular brief for him—but his low-priced automobiles. Now we have 30,000,000 automobiles in operation. The others had to come to it with increased production.

Now, I cannot see but that the airplanes, as Mr. Murray has said, is going to come into operation.

I think he said there would be airplanes produced as low as a thousand dollars, wasn't it?

Senator MURRAY. I think that was true.

Mr. LUHRSEN. Now, if the railroads are going to compete, we have to speed up our traffic, and the only way we can do it is not by a locomotive that hauls 150 cars but by a reduction to a locomotive to haul 75 cars that can come into the usual side track in passing while the 150-car train cannot.

As a result, we hold back today a 150-car train for 3 or 4 stations because there is no side track big enough to hold them and we don't want to saw by a streamlined passenger train, causing delay.

That means we get in between the switches because a freight train has its end sticking out.

It has been the tendency of the railroads to haul more cars per train.

We are inclined to be a speedy Nation, and I think everybody is looking for greater speed rather than slowing up.

Senator MURRAY. Well, I think we are all in accord in what is necessary to be done, that is to say, we should work out these programs for the post-war period as rapidly as possible and that the human rights there should be given the same recognition as property rights.

Mr. LUHRSEN. I agree with you, Senator, and it seems to me the human rights even come ahead of the others, because after all it is the many humans who are the real consumers of the products we produce and if they haven't the money, haven't a job, what is the reason for producing, if they haven't the money to buy it.

So I want to throw out this suggestion:

Mayor LaGuardia, while I could not hear him very distinctly, said something about being able to spend $1,600,000,000 in New York alone for public works, and he referred to the various other things that I think are of very vast importance.

It seems to me it would be wonderful if we could get his message to other large cities, let them think about it, and see if they are looking ahead or are still in the groove.

Senator MURRAY. I think there is generally a program being developed throughout the various States. I know my State of Montana is providing a post-war program of public works that should be ready in case of need.

Of course, those public works should only be utilized to the extent necessary to prevent unemployment.

Mr. LUHRSEN. Right.

First of all I think we should have—if we are going to get into that field extend whatever we build only to the extent of things that are essentially needed and are lasting.

Senator MURRAY. We use the expression sometimes that these public works should be regenerated.

Mr. LUHRSEN. That is right.

Senator MURRAY. That is to say they should result in providing employment and being able to pay for it themselves.

Mr. LUHRSEN. That's it.

Senator MURRAY. Lots of public power plants and irrigation projects of the West.

The highways are very important, I think, because they increase business. They are valuable in an economic sense.

So the works should not be of the least-rating kind in the post-war period because they are necessary.

Mr. LUHRSEN. We are going to have need for all of them in the future and we should have hospital facilities, as we have the increased need, have them available.

Senator MURRAY. Well, I have listened very carefully to your statement, Mr. Luhrsen, and I want to congratulate you on it.

I am especially interested in your observations with respect to the contract-termination authority.

Now the contract termination bill seems to have the approval of small business, big business, and labor. There is no objection to it at all. The only question is whether it should be delayed now until the over-all legislation can be provided.

It seems to me that there is no—I can see no attitude in Congress here to oppose the necessary legislation to protect labor in the post-war period.

Mr. LUHRSEN. I think you are right.

Senator MURRAY. Senator George stated that to Mr. Murray—Philip Murray—here the other day.

Mr. LUHRSEN. I heard him.

Senator MURRAY. And they have assured me that they intend, because we could not enter the post-war period unless we have provided adequate unemployment compensation, to protect the rights of labor in every way.

And as you point out, if we don't cooperate, if there isn't the fullest and fairest cooperation between the workers of the country and management, we are not going to get through the post-war period without very serious developments.

Mr. LUHRSEN. Worse than the last war, following the last war.

Senator MURRAY. Yes.

So I am convinced that you are going to find Congress is going to go through with a program that will protect the rights of labor in every respect. The only question is as to whether or not we should tie up this contract termination legislation now which is already to be passed.

If we try to load it down with the other provisions it would create a very serious delay while these contract terminations are going on.

Contract terminations have piled up tremendously and we are getting complaints from all over the United States from small concerns who are unable to get their money out of their contracts.

That is going to create a serious situation unless speedy action is had on it.

Mr. LUHRSEN. Take the aluminum situation: many of the plants have closed down. No provision was made, I believe, for labor. They are just out of a job in many of these places, 12,000 here and so many there.

Senator MURRAY. Yes.

Mr. LUHRSEN. Now, as I recall it, I think I read it in the Wall Street Journal——

Senator MURRAY (interposing). Well, that is because the post-war program has not been worked out.

Mr. LUHRSEN. No.

Senator MURRAY. They haven't made provision for the allocation of those materials for civilian production. If they had, if that program had been ready, I believe we could have avoided some of that unemployment.

Mr. LUHRSEN. I just perhaps make this not as a suggestion more as an inquiry. I read, I think in the Wall Street Journal, several weeks ago, two items.

One of them was they want to put into effect the cotton pickers; the International Harvester, of Chicago, Ill., already has produced 10 and now want to manufacture 12 more, and one alone says he could use 50 of them in the South.

Now that is going to throw out unemployment.

Another item was to the effect that 100 corporations have practically 70 percent of all our war contracts.

They will have enough contracts to fulfill as they go on, to run them 18 months to 2 years.

Take the small contractor, the subcontractor, he won't be as well off as those big fellows, because he can manufacture his outstanding orders in 5 or 6 months; so he won't be on a comparable basis for production as will be the 100 big corporations.

And I think that ought to be rigid as to justice, and no discrimination.

I just called it to your attention. I was reading about it. I cannot recall the facts as closely as I could if I had read it recently.

Senator MURRAY. Well, I said I want to congratulate you on your statement, Mr. Luhrsen.

Mr. LUHRSEN. Thank you.

Senator MURRAY. I think that was very fine and very helpful to us.

The hearing will now adjourn. Next Tuesday, May 2, the committee will hear Hon. Jesse H. Jones, Secretary of Commerce; Edward Norris, vice president of the Brookings Institute; and H. L. Carpenter, chairman of the Post War Planning, Commerce, and Industry Associations, New York.

(Whereupon, at 1:25 p. m., an adjournment was taken to Tuesday, May 2, 1944.)

(By direction of Senator Murray, the following material is inserted in the record:)

INTERNATIONAL UNION, UNITED AUTOMOBILE, AIRCRAFT, AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (U. A. W.-C. I. O.),
Detroit, Mich., May 2, 1944.

The Honorable Senator JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: During the presentation of my testimony before your Committee on War Contracts on April 26 you inquired whether profit figures of automobile manufacturers submitted for the record were before or after renegotiation. I am informed by our research department that the net profits after taxes are after renegotiation, wherever renegotiation has already taken place.

Sincerely yours,

R. J. THOMAS, *President, UAW-CIO.*

UNITED STATES CIVIL SERVICE COMMISSION,
Washington, April 24, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
United States Senate.

DEAR MR. CHAIRMAN: The Commission refers to S. 1823, now before your committee, which proposes to establish an Office of War Mobilization and Adjustment in the Executive Office of the President.

Section 102 (b) gives the Director of War Mobilization and Adjustment authority "without regard to the civil-service laws, rules, and regulations, and the Classification Act of 1923, as amended, and except as herein otherwise provided, employ and fix the compensation of such officers and employees, * * *."

Section 504 of the bill contains the following provisions:

"The Work Administrator may, without regard to the civil-service laws, rules, and regulations, and the Classification Act of 1923, as amended, employ and fix the compensation of such officers and employees, * * *."

It is the belief of this Commission that any proposal to exempt positions from the civil-service requirements does not constitute desirable legislation, particularly in view of the present manpower shortage and the high cost to the taxpayer because of several agencies bidding against each other in their efforts to secure qualified employees.

It is urged, therefore, in the interests of efficiency and good administration that the words "without regard" which appear in line 4 on page 3 and also in lines 13 and 14 on page 22 be deleted, and the words "in accordance with the provisions of" be substituted therefor in both instances.

The Bureau of the Budget advises there is no objection to the submission of this report.

By direction of the Commission.

Very sincerely,

HARRY B. MITCHELL, *President.*

AMERICAN COMMUNICATIONS ASSOCIATION,
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
New York 7, N. Y., April 25, 1944.

Hon. JAMES E. MURRAY,
Committee on Post-war Plans,
Senate Office Building, Washington, D. C.

DEAR SIR: The enclosed resolution was adopted at the Seventh National Convention of the American Communications Association, Congress of Industrial Organizations, held in Kansas City March 27 to April 1, 1944.

I felt that you would have a particular interest in the subject matter of this resolution.

Very truly yours,

JOSEPH P. SELLY, *President.*

RESOLUTION NO. 17. STATEMENT ON POST-WAR PLANS FOR MARITIME INDUSTRY

Despite the numerous and difficult problems which beset the shipping field the outlook for a prosperous and expanding industry is bright. Shipping is essentially an international industry. Its prosperity is dependent upon a stable, peaceful, expanding world economy. Such an economy is envisioned in the Cairo and Tehran Declarations.

A new situation has arisen in the maritime field. For the first time important segments of the American shipping industry (together with important segments of all American industry) recognize the necessity for working cooperatively with labor, government, and our allies in order to restrict the areas of sharp economic conflict and to promote world trade.

This real collaboration between labor, government, and certain sections of industry puts the spotlight on that reactionary portion of capital which is concerned with the return to normalcy of the twenties and thirties when the Nation had up to 12,000,000 unemployed; with imperialist venture the rule of the day, with reactionary control of the Government, and with destruction of the trade-union movement the goal of these forces. These die-hard imperialists will not stop short of betraying our Nation and delivering it to fascism, if necessary, to assure their domination. Consequently the continual growth of collaboration between the various branches of maritime labor, and the progressive section of capital, is of utmost importance.

Shipping interests have begun to propagandize the American people along the following line: "Twice before our Nation has built great merchant fleets. Once in the famous 'clipper ship' days, when the California gold rush and the tea trade of China were the incentives; once under the urgency of World War I. Both times we dissipated that fleet because of disinterest on the part of the American people once the initial emergency was passed. We must not let that happen again."

This is a fallacious picture. The American merchant marine was dissipated during the 1920's not because of disinterest of the people, but by the greed and avarice of American shipping interests. The essential difficulty of the American merchant marine was that it was being utilized for a series of financial manipulations designed to milk subsidies and to make profits on ship sales, instead of for the legitimate purposes of the carrying trade.

The Black Senate investigation of ocean mail contracts exposed the deplorable situation, and the Merchant Marine Act of 1936 enacted pursuant to this exposure, although a compromise, set forth a more realistic basis for a sound maritime policy. American maritime labor, along with the operators, stands committed to a large, modern, fast merchant marine. However, we know that there can never be stability in the maritime field as long as the traditional policy of cut-throat rivalry prevails. We know that the meaning of the Tehran and Cairo Conferences is that the United Nations will strive to remove the areas of sharp economic conflict, and that if the perspectives of Tehran are to be realized the unity forged by wartime necessity in the United Nations coalition must continue in the field of post-war economic collaboration.

Shipping economics are international economics. It is good business for maritime interests to view shipping as an international rather than a national issue. The problem can be solved only with such an outlook.

It is not too soon for preliminary international agreement on tonnage quotas, routes, rates, and minimum labor standards. Such agreement will do much to allay the fears which are causing shipowners of all nations to cry for diversion of vessels from wartime needs to private, economic trade routes at the very moment when the maximum concentration of shipping is required for the imminent land invasion of Europe.

The shipping industry of most countries has been in distressed straits for many years. The major problem has been that there have been more ships than trade. The surplus of cargo space over demand was 21 percent in 1929 and 68 percent in 1932. Despite a reduction of world tonnage by 5,000,000 gross tons during the great depression, tonnage was still 44 percent greater in June 1937 than in June 1914 while world trade was only 30 percent greater.

If we look forward to a post-war fleet of 15,000,000 gross tons, or even if we and the British reach a parity of 20,000,000 gross tons apiece, there is no need for sharp economic rivalry. The combined pre-war fleets of Germany, Japan, and Italy totaled 13½ million gross tons, of which over 6 million was probably

in foreign trade. If the foreign trade fleets of the Axis Nations are to be restricted, the gap will have to be made up by the Allied Nations.

However, in the long run, the solution to the shipping problem is to increase the carrying trade. The stable, progressive, more united world envisioned in the Tehran Declarations; the coming economic and political emancipation of the colonial peoples; the growing maturity, economic independence, and potential prosperity of China, India, and the Latin-American countries are the preconditions for a vastly increased world trade. The vast reconstruction and relief needs of war-ravaged Europe will require tremendous shipments for many months after the war, giving the maritime industry additional time for an orderly transition to peacetime operation.

Pious and vague resolutions for increased world trade will not solve the problem. What is needed is preliminary international agreement reached now for the restriction of areas of sharp economic conflict, for lower tariff barriers, for multilateral rather than bilateral trade agreements, and for the abolition of discriminatory trade provisions.

LABOR AND POST-WAR PLANNING

The voice of maritime labor has matured greatly in recent years. This voice must be prominent in the council halls that determine post-war shipping policy. It is a nonpartisan voice, nonpartisan because it is cognizant of the fact that seamen's conditions are completely dependent upon a sound national and international maritime policy.

We recognize that the post-war merchant fleet will be a privately owned fleet. In large measure, it will be given to American shipowners at costs which are greatly written off. We are interested in a constructive policy and therefore we shall not pursue the course of muckraking. That part of the fleet that is written off must be written off as wartime costs.

We do know from experience, however, that ship speculations do not promote a healthy maritime policy. The merchant marine must be sold in an orderly and planned fashion. We feel that the suggestion of Admiral Land that a fair and equitable floor be placed on the prices of ships is a sound one, if properly implemented.

These and many other problems which will confront the American merchant marine are in the hands of the House Merchant Marine and Fisheries Committee, and in the hands of Admiral Land's Maritime Commission and War Shipping Administration. We know the strong influences that the shipowners exert on both of these organizations. To date the only recognition accorded labor has been advisory, on two minor subcommittees of the Maritime Commission's Post-war Planning Committee. These subcommittees have never met. Labor must be accorded a more important role in policy formation.

AMERICAN COMMUNICATIONS ASSOCIATION PROPOSALS

While it is premature to offer a detailed blueprint post-war plan for the maritime industry, it is not too soon to establish some general principles and some minimum specific proposals.

In regard to general principles for conversion of the maritime industry in the post-war period, we believe that in the main the general principles enunciated in the Baruch-Hancock report, insofar as they are applicable to the maritime industry, are sound and provide the basis for a correct national policy.

At this point we would only add, subject to periodic review, the following specific guaranties that should be incorporated in any post-war plan for the protection of the wages and working conditions of marine radio officers and in the public interest.

1. Basic wages must be raised to a decent minimum level consistent with the training, experience, qualifications, and responsibilities of a marine radio officer.
2. Proper safeguards for maintaining maximum protection of life and property at sea must include the maintenance of round-the-clock radio watch. Three radio officers on a ship is a sound and necessary policy for peace as well as war.
3. Labor must be given direct and equal representation with the operators and the Government on all policy-making and administrative questions dealing with post-war planning for the maritime industry.

We believe this general statement of principles is consistent with and implements the Baruch-Hancock report as applied to the maritime industry.

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Columbia University
NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1730

A BILL TO CREATE AN OFFICE OF DEMOBILIZATION, ESTABLISH GENERAL POLICIES FOR THE OPERATION OF THAT OFFICE, PROVIDE FOR THE SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS, PROVIDE FOR THE DISPOSAL OF SURPLUS GOVERNMENT PROPERTY, AND FOR OTHER PURPOSES

S. 1823

A BILL TO ESTABLISH AN OFFICE OF WAR MOBILIZATION AND ADJUSTMENT

PART 3

MAY 2, 1944

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98534 WASHINGTON : 1944

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

TUESDAY, MAY 2, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to recess, at 10:30 a. m., in room 318, Senate Office Building, Senator James E. Murray (chairman) presiding.

Present: Senator Murray (chairman).

Also present: Congressmen Kefauver and Gwynne; B. M. Gross, staff director of the subcommittee; Kurt Borchardt, counsel to the subcommittee.

Senator MURRAY. The hearing will come to order.

Before we start the hearing, I wish to say that at noon today I shall have the privilege of formally reporting S. 1718, the contract-termination bill, to the Senate on behalf of the Military Affairs Committee, which last week voted unanimously to report the measure favorably with the recommendation that it be acted upon expeditiously.

Naturally, contract termination is only one phase of the broad economic problems that face our economy. It is the intention of Senator George and his committee, and myself and my committee, to press forward toward action in the near future on the broader problems of post-war adjustment as covered in S. 1730 and S. 1823. On this point, I should like to insert into the record the statement made jointly on April 28 by Senator George and myself. I would like to have that appear in the record at this point.

(The statement referred to is as follows:)

JOINT STATEMENT BY SENATOR WALTER F. GEORGE, CHAIRMAN, SENATE SPECIAL COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING, AND SENATOR JAMES E. MURRAY, CHAIRMAN, WAR CONTRACTS SUBCOMMITTEE, SENATE COMMITTEE ON MILITARY AFFAIRS

It is our mutual conviction that broad legislation to help achieve full employment after the war must be enacted by the present session of Congress. This is essential if our country is to be fully prepared for peace. It is also essential if our Congress is to discharge its proper functions as a policy-making body and assure a full return to democratic governmental processes in the post-war era.

It is our considered judgment that the following legislation should be enacted during the present session:

I. A BROAD POST-WAR ADJUSTMENT BILL

Two bills of this type are now before the Senate Military Affairs Committee: S. 1730 (George-Murray) and S. 1823 (Kilgore). We are now studying a number of revisions that have been suggested during the recent hearings before the Military Affairs Subcommittee. It is hoped that this over-all legislation can be reported to the floor of the Senate in the very near future.

The contemplated over-all legislation includes provisions setting forth specific Congressional policies on cut-backs in war production and on the resumption of civilian production. The recent hearings have revealed a state of confusion on these questions that can be corrected only by legislative action.

Other hearings and investigations of the War Contracts Subcommittee have uncovered the fact that there is still a large amount of waste and extravagance under war contracts, particularly cost-plus-fee contracts. This is a problem of fundamental importance to our plans for post-war employment. Curtailing wasteful practices in war production will lower the cost of the war, reduce our debt burden, lead toward more efficiency in conversion to peace and help us achieve the low price levels that are essential to the development of our post-war markets. Although a separate measure on this subject is now before the subcommittee,[1] consideration is being given to achieving the purposes of this resolution through an appropriate section in the general bill.

The problems of surplus war property and the demobilization of veterans and war workers may also be dealt with in the legislation now being studied.

The revised over-all legislation will also spell out in detail the planning functions of the top war mobilization and post-war adjustment agency. This will be done without duplicating or displacing the planning activities of established Federal agencies and without detracting in any fashion from the planning functions of the Congress. Serious consideration will also be given to appropriate representation in an advisory capacity, for industry, labor, agriculture, and the public.

II. UNEMPLOYMENT COMPENSATION

On April 12, 1944, the Honorable James F. Byrnes, Director of War Mobilization, stressed the necessity for legislation providing Federal assistance to the State unemployment compensation system.

We heartily concur in Justice Byrnes' proposal and will shortly submit a jointly sponsored bill embodying this recommendation. In the Senate, the bill will be referred to the Finance Committee, where the Chairman will immediately appoint a subcommittee to work toward prompt reporting of the measure to the floor.

III. CONTRACT TERMINATION

The pending contract termination legislation meets with general approval and should not be delayed any longer. S. 1718 as amended, which is now to be reported out of the Military Affairs Committee, should be passed promptly by the Senate and the House.

Senator MURRAY. During the past few weeks, we have received testimony from businessmen, labor leaders, and the heads of many executive agencies. Today and tomorrow we shall hear from two outstanding economists who will present their views on the basic economic issues involved in achieving full employment in the transition and post-war periods, as well as on the specific legislative questions now before this committee.

Mr. Nourse, of the Brookings Institution, will be the first witness this morning.

You may state your full name, Dr. Nourse.

STATEMENT OF EDWIN G. NOURSE, VICE PRESIDENT, BROOKINGS INSTITUTION

Mr. NOURSE. My name is Edwin G. Nourse.

Senator MURRAY. And your connection?

Mr. NOURSE. I am vice president of Brookings Institution, but I am not making any pronouncement on behalf of the institution this morning, but rather presenting my own views, some of which, however, are related to things that we have dealt with in publications.

[1] S. J. Res. 80, to prohibit the use of the cost-plus-fixed-fee system of contracting in connection with war contracts, introduced by Senator Homer Ferguson of Michigan.

Shall I proceed with my statement?

Senator MURRAY. You may proceed with your statement.

Mr. NOURSE. Your committee has been considering a wide range of situations related to problems of demobilization, termination of war contracts, and the disposal of war-created plant and surplus materials. Specific action as to many detailed steps in this reconversion process has been urged upon you by persons having strong individual or group interests in some particular decision or policy of the Government agency that will handle these affairs. At this juncture, if I understand the thinking that prompted Senator Murray to extend to me an invitation to appear this morning, it seemed worth while to back away from this detailed picture to get a more general perspective on the broad issues which are involved in the several alternative courses of action which might be taken in the next few months or years.

What is in fact a sound answer to any one of the concrete questions with which your committee has been grappling comes back, in the last analysis, to what are the fundamental operative principles according to which a system of private capitalism can be continued in successful operation in a democratic country. Of course, if we were contemplating the abandonment of private enterprise and the setting up of a system of state socialism, communism, or fascism, we would need to make extensive exploratory studies of the principles according to which any one of those different types of economic machine would operate. That we leave to others. But we should recognize that there is a very real danger in the attempt made by some well-meaning people to mix principles applicable to different economic systems, without realizing the inconsistencies between them, and the continual frictions and partial break-downs that are bound to result from jumbling together structural and operating arrangements which are designed for different types of economy.

I have been deeply concerned for some time back to examine the working requirements of a system of democratic free enterprise under private capitalism with a view to discovering why the system has creaked and groaned as it has and suffered from partial stoppages. Or, from the other side, I have asked what changes in business philosophy or current policy and practice would be necessary if, returning to a system of private capitalism after the war, we are to demonstrate its capacity for high efficiency, smooth operation, and well-sustained prosperity?

Senator MURRAY. During the depression period, many economists of the country pointed out that our economic system had completely broken down, that it had failed to supply a livelihood for nearly a third of the population, and any system that fails to accomplish that couldn't expect to endure in this country; that some way must be found to bring about widespread employment in this country, or otherwise the people would not be interested in voting for and sustaining a system which was so defective nad deficient.

Mr. NOURSE. It seems to me that that is a practical situation with which we are confronted. My position has been that the system did not break down from inherent possibilities of its successful functioning, but that in many regards it was not as well handled, it was not handled in full understanding of its own inherent requirements.

In the study that I have been making, I have accepted the affectionate designation of the traditional pattern of American business as "the American way of business life," and I identify its major ingredients as freedom of business enterprise, competition in free markets, and the natural or spontaneous pursuit of the profit motive. Looking at these three basic features of the American system of private capitalism, I find each one of them to be good in itself, and all three to be consistently interrelated in a system that would make for maximum sustained economic welfare. But this means that each must be interpreted in terms consistent with the operative requirements of the system as a whole.

Free enterprise opens the gateway for each individual, high or low, to invent, devise, reorganize, shift from one line of effort to another, so as to get the maximum efficiency from his productive efforts and the maximum satisfaction by freely expressing his consumer preferences in the market. This is the principle by which we can assure ourselves the most rapid rate of technical progress or advance in efficiency in our productive efforts. This freedom must be preserved by a legislative, administrative, and judicial system which safeguards for each individual the maximum opportunity to exert his industry and to express his ingenuity in the form of better technique or organization.

But, human nature being what it is, free enterprise has, in fact, often been interpreted as a demand by those of greater strength, better location, more favorable situation, or greater ruthlessness, that they be allowed to exercise their full power toward advancing their individual or group interests even when the effect is to restrain the enterprise of others. Legislation has often been secured to buttress this unhealthy or distorted manifestation of free enterprise—a sort of economic elephantiasis. I shall return to this presently in connection with the problem of the post-war conversion period.

Competition is the economic practice by which free enterprise is transmitted from its point of entrance as increased operative efficiency to its broad area of application through guidance, and particularly expansion, of the market. The normal outcome of free enterprise is enlargement of the stream of consumers' goods, both because every worker has opportunity to continue his productive effort as long as he prefers more income to more leisure and because he is constantly trying to make his labor more efficient—that is, to produce more goods with a given amount of work, either directly or through the addition of capital equipment. No proverb is more glibly repeated than "Competition is the life of trade," and none could be more true if we really mean what we say. If trade is truly alive in a land of free enterprise and rising efficiency, the volume of trade is constantly growing. The flood of production, nourished by the springs of free enterprise, flows in ever-enlarging volume into the market, where consumers, freely expressing their preferences as between one kind of goods and another, guide future enterprise to the lines of production that will give greatest satisfaction.

But no one who will honestly look at the past and present record of America can doubt that the majority of businessmen are, in fact, afraid of competition, just as they are afraid of really free enterprise. There is a constant fear that there won't be enough purchasing power to go around, that if we really "let ourselves go," with all our skill and ingenuity, with all the technical efficiency we have developed, there would be general overproduction, flooding of the markets, and general breakdown. But I submit that there is no evidence in fact or theory to justify the proposition that a country can be really harmed by providing opportunities for all its workers to apply themselves to the production of the goods and services they mutually wish to enjoy and by putting all plant and equipment at their disposal for making that work as efficient as possible. If prices are properly adjusted, the increased incomes of those who participate in production provide a market for the added product.

It is, of course, true that any particular line of production may be out of balance with others at a given moment. It is the peculiar function of the businessman to compare commercial opportunities, even peering into the future as far as he can, and to shift productive effort and use of resources from the point at which supply is relatively overdone to points at which it is relatively underdone or even entirely lacking. This is the essence of free enterprise. But when any economic agency turns from this important constructive function of shifting effort and accepts the destructive role of throttling down production, retiring plant from use, forcing laborers into idleness when they want to work for the good things of life or preventing would-be new enterprisers from trying their hand against the old concerns, it is gaining temporary protection at the expense of permanent loss. It is not competition, however vigorous, so long as it be open and sportsmanlike, that we need fear, but those artificial and protective devices that seek the stifling of competition or agreements in abatement of competition.

Values as a whole cannot possibly be forced to ruinous levels because they soon find their own balance if we but courageously continue to produce, promptly adjust lines of production, and allow the total product to flow freely into the market.

This combination of free productive enterprise and free market competition provides the businessman with an operative principle of management which I have designated "low-price policy." It may be summarized in a very few words: As fast as business enterprise introduces cost-reducing efficiencies, set aside for capital only such part of this technological gain as is necessary to maintain the capital plant in a state of high efficiency and expand and improve it as new techniques can be developed.

Senator MURRAY. I might ask you this: In the depression period, business widely accepted the theories of the N. R. A., and most of them were anxious, I suppose, to continue that system indefinitely. Is that not true?

Mr. NOURSE. Well, I think there is a very substantial faction within business that would like to see it restored.

Senator MURRAY. Even in the depression period, they sought to raise prices and curtail production.

Mr. NOURSE. The rest of the efficiency gain, after providing for maintenance and increase of capital, may go in part to the advance of wages of any workers whose rates are so low as to be out of line with the general wage structure. But in the main, technological gains should be disseminated to the whole mass of consumers in the form of lower prices of the product.

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The great bulk of such gains redound to the benefit of the working population anyway, since lower market prices proportionately raise their real wages, but lower prices, by expanding the market for the very product in whose production the added efficiency was attained, tend to expand that line of production and maintain employment at the point where labor-saving techniques are introduced. Even if this market fails to expand in the same proportion as the labor saving, the price lowering leaves purchasing power predominantly in the hands of that very part of the population which has the most unsatisfied consumer wants and which will therefore spend this money most promptly to buy goods, which create a demand for a like amount of labor elsewhere. Thus, low-price policy, as the rational expression of competitive private enterprise, presents the basic logic for the maintenance of job opportunities for the whole population that wants to work.

This brings us to the third major feature of "the American way" of private capitalistic business, namely, the profit motive. This, too, is a principle of the most profound truth and of major importance in the working of a system of private business. The enterprise of each participant in the productive process will be most actively stimulated, and therefore the best guide for his effort, if he gets income returns in proportion as he does those things that the consuming public wants done, with special premiums or prizes when he introduces some particularly desirable innovation, when his enterprise raises his efficiency above that of his competitions. The profit motive works most surely and effectively if these competitors are entirely free to capture this prize for themselves in the next round of productive enterprise.

But the profit motive, like both the other basic principles of private capitalism, is subject to abuses as well as constructive use. If the big profit which appears when some marvelous new product is developed or some sharp reduction in cost is effected by the introduction of a new method is frozen into the price structure; if this special reward is continued after the activity itself has become mere routine; if this extraordinary profitableness invites the construction of excessive new capacity; if the profits accumulate in the hands of individuals or institutions because they do not find other investment opportunities presenting a like degree of profitableness; or if these funds are used to bid up the prices of investment securities or other properties, then the general circulation of our economic body is retarded, and we may show ills that range all the way from retarded growth to acute organic disease.

A particular manifestation of misuse of the profit motive is the accumulation of high profit at times of better-than-average business activity on the theory that these reserves will be necessary to tide over the next period of business recession. Two evil results follow from this: (1) The gilded profits of the prosperous period lead to overbuilding, overextension of credit, and a bidding up of property values which produces in the capitalistic system a top-heavy and vulnerable condition——

Mr. GROSS (interposing). Is there that tendency today at this particular time?

Mr. NOURSE. Well, I think the restraints of the war control hold that in check. I think there is considerable reason to think that in a period shortly after the war, such a situation might repeat itself.

Senator MURRAY. Very seldom would business reduce prices when the cost of production has been greatly lowered. They usually want to continue to make the profits and don't take into consideration the effect that that has on the general economic system.

Mr. NOURSE. That is true, and the point I am making here is particularly that they, to justify that, say it is needed because of the necessity of having something to tide them over the depression period; whereas, this course brings on the depression.

Mr. GROSS. Isn't that the basis for the drive for large post-war reserves at this particular moment?

Mr. NOURSE. It seems to me it is.

Senator MURRAY. In the last depression, even in the midst of the depression, the large basic corporations of the country made more profit than they did in 1929, which was the highest period of productivity in this country. I have a statement published in Barron's magazine on April 4, 1938, which showed that 130 of the important listed corporations of the country made more profits in 1937, which was in the depression, than they had made during the highest period of productivity, 1929. That struck me as being a very strange situation. While we were attempting to combat the depression, and the Government was spending billions of dollars to bring about reemployment, the corporations advanced their prices and skimmed the cream off of the Government's spending, and were making more profits right in the midst of the depression than they had when the country was prosperous. That shows a very glaring defect, it seems to me, in our economic system.

Mr. NOURSE. That would be true as to certain companies. For corporations as a whole, of course——

Senator MURRAY (interposing). That is true because some of them were competitive. Take in the dry goods business, they were extremely competitive; but the metals had a record year in earnings, as did steel, oil, aluminum, machinery, chemicals, and the automobile industry—in fact, all the heavy industries showed high records of earnings for 1937.

At the close of your statement, I should like to introduce into the record a statement which I made on the floor of the Senate in 1938—May 23, 1938—covering this situation. I won't interfere with your statement, but I should like to have it inserted following your statement.

(The statement referred to will be found at the conclusion of Mr. Nourse's statement.)

Mr. NOURSE. Shall I continue?

Senator MURRAY. Yes.

Mr. NOURSE (continuing). (2) The withdrawal of funds from the consumer market at so rapid a rate in proportion to the volume of goods released into the market progressively dries up the volume of demand upon which the active utilization of these capacities depends. This initiates or accentuates the very condition of depression which was feared. The reserves will be dissipated in meeting the drains of the depression period which are due simply to the fact that men are out of employment, plant idleness, and the current production of wealth restricted, not by physical or technological necessity, but

by fiscal reasons stemming from the faulty price policy of the preceding prosperous years.

Some traditional economists and some old-fashioned businessmen experience difficulty in accepting this interpretation of the nature of profit-seeking capitalism. They suggest that low-price policy amounts to low-profit policy, and that this is contrary to the nature of private capitalism. As a matter of fact, what I have pointed out is simply that setting the profit sights too high, charging what the traffic will bear when the going is easy, refusing to embark on economic ventures unless a return is assured which will yield profits on idle plant as well as utilized plant, and in periods of unemployment as well as more prosperous periods, is self-defeating in the long run. The net return to capital is no greater and probably less than it would be under such low rate as would provide more evenly sustained production. I do not hold with that school—sometimes referred to as the "stud poker school of capitalism"—which maintains that even in this age of enlightenment, we must have glamorous profits and severe losses to sustain the zest and tempo of capitalistic business. I believe that scientific techniques of management make it entirely possible for capitalist administrators of business to reduce and equalize technical and commercial hazards and so sustain the flow of productivity that a smaller profits percentage of a larger national product will give to capital a larger total return in the long run, together with higher real wages to the masses and lightened burdens on the agencies of government.

Senator MURRAY. That seems to me to be the royal road to prosperity in this country, the lower prices and higher wages do produce purchasing power in the hands of the people of the country.

Mr. NOURSE. That is where I place my emphasis, certainly.

This broad picture of the way in which the system of private capitalistic enterprise operates and certain of the dangers to which it is characteristically exposed is very pointedly applicable to the period of reconversion, which is the subject of this committee's particular attention. The greatest danger of the reconversion period, as I see it, is likely to come from the reassertion of the doctrine by various interest groups that their welfare is to be promoted by lines of action which retard rather than enhance production. This danger stems from the prevailing fears of workers that there are not enough jobs, of capitalists that there aren't enough investment opportunities, and of producers and distributors generally that there isn't enough market demand to go around. Because of this fear, workers try to shorten the work period, slow down the rate of output, or pad the size of the working crew. Labor unions try to spread the work or to exclude all except a favored membership from work opportunities. Capital, fearing that there are not enough investment opportunities, tries to get a high return from the places where it is employed by withholding invested capital from capacity use or withholding capital funds from active investment. Producers and distributors engage in costly competition to get each for himself the largest share of the limited demand which exists at relatively high prices (prices enhanced by the cost of intensive selling effort) rather than promoting the maximum amount of consumer satisfaction and abundant employment by getting prices down to the point where goods are accessible to the largest possible number of users.

Senator MURRAY. It is this conflict between the various groups that make up the economic system of this country that is the cause of the failure of our system, each one looking out for himself, and all bringing their pressure on Congress here to take care of their own interests instead of wisely and intelligently looking at the problem from the broad standpoint of the best interests and welfare of the country. Isn't that it?

Mr. NOURSE. I am sure you feel those pressures right along.

Senator MURRAY. Yes; I get them every day from every direction—from people sometimes who don't know what they are talking about—telling you exactly what you should do, how you should vote, and so forth. It is a very unfortunate situation, it seems to me.

Mr. KEFAUVER. Dr. Nourse, have you got some remedy for the situation?

Mr. NOURSE. I think the voluntary application of low-price policy by the managers of business themselves—that is, those who are in a position of price administration—is the means of self-salvation. Whether that lesson can be learned and can be applied is another question. But I have outlined what seems to me the requirement of a really successful system of private capitalism.

Mr. KEFAUVER. But you don't know whether it will happen that way——

Mr. NOURSE (interposing). What I find in studying the problem is evidence of an encouraging sort in certain quarters, with reference to certain business leaders, that they both accept and attempt to practice this economic philosophy, and on the part of others a very discouraging tendency not to try to practice it—in fact, to deny it. Which side is going to win, I don't know. I think there are both forces within the field of business today.

Senator MURRAY. Won't aggressive activities on the part of the Antitrust Division of the Department of Justice, and also active work on the part of the Smaller War Plants Corporation, have a tendency to help in this situation?

Mr. NOURSE. I think so; but the work of the Antitrust Division, important as it is, is necessarily negative in character, and what I am talking about is a positive philosophy of active administration within capitalism itself.

Senator MURRAY. Within capitalism itself?

Mr. NOURSE. Yes; and, of course, the importance of the Government at times when they have an active role to play, as in the reconversion period; that is the point I want to make.

Senator MURRAY. A low-price policy in industry doesn't mean a low-price wage at all?

Mr. NOURSE. No; it means higher real wages.

Senator MURRAY. Higher wages and more consumption?

Mr. NOURSE. Yes.

Senator MURRAY. It means more production and more profit for industry, and at the same time better wages for the workers?

Mr. NOURSE. Yes.

Senator MURRAY. I notice that in the depression period there was one corporation that had greatly increased its production, had lowered its prices, had paid more taxes, and yet had raised its wages and lowered the hours of employment.

Mr. NOURSE. You can find a considerable number of illustrations of that sort. In fact, I hope some day to publish a case book of those.

Senator MURRAY. Yes.

Mr. NOURSE. In applying our basic principles to the particular problems of post-war reconversion, I shall not attempt to discuss the labor aspect of the problem, although it is obvious that if organized labor follows restrictionist practices and tries to exploit a position of strong labor control, it will seriously complicate the problem of getting a workable post-war adjustment.

Turning to the capitalist side of the picture, the employer side, mingled motives of self-protection and patriotism in a war crisis have caused us really to discover or to reveal how mighty is our productive power, once we really unleash it. In a curious way, it is business fear of this expanded productivity that constitutes the core of the reconversion problem. Through its contribution of war plant, the Government has really got the economic "bear by the tail"; and the gentlemen of industry are afraid of what will happen when we let go, afraid that they may not be able to get this producivity under manageable control as we transfer it back from public-directed war production to privately directed peace production. The relation of this concept of control to the principle of free enterprise is most interesting, since the same parties profess both. It is a little amusing to see how private business, which has been inveighing against the curse of Government control, now is concerned to have Government protect it against the forces of competition latent in these greatly enlarged plants and the surpluses they have produced even above war needs.

It is perfectly obvious that such a gigantic transfer operation cannot be effected without stepping on someone's toes. But I am profoundly convinced that more harm to the economy will result from too cautious a policy in releasing plant and surplus supplies than from what may seem a drastic policy of withdrawing Government ownership and allowing the system of private business to find its own equilibrium.

Senator MURRAY. Right there, do you feel that as materials are released from war production and contracts are terminated affecting small plants, that they should be entitled to enter immediately into civilian production to the extent that it would not interfere with the war?

Mr. NOURSE. Yes.

Senator MURRAY. Well, there is a feeling around here that that shouldn't occur, that we should wait until the larger corporations, who are still engaged in war production, shall be able to terminate their contracts, so that they may be able to start at exactly the same time as the small plants start, because they are fearful that the small plants may get some advantage as a result of being allowed to start immediately.

Mr. NOURSE. I have to confess that I am rather out of sympathy with that general point of view, that it seems to me to exaggerate the dangers to which the large, strong, and entrenched companies will be exposed. They are going on with their war activities in the interval. If they are afraid actually that they will not be able to meet the competition that these people have developed in the meantime, that seems

to be the only rational explanation for it; whereas, on the other hand, if we hold back a considerable part of our economy waiting to get what will be called an even start, you really prejudice the smaller and weaker companies, who will pass out within that interval, whereas it seems to me it is giving more protection than is necessary, in a truly competitive economy, to those that are the stronger and better established companies and are continuing in war work from which they are deriving income.

Senator MURRAY. I think that is a very clear statement.

Mr. NOURSE. During the period that the Nation's business was war, it was quite proper and necessary that Government plan and coordinate and control this great national effort as something in the nature of a public enterprise. But if Government undertakes to plan and execute the details of reconversion to a private basis, the delays, inflexibilities, and bickerings which will ensue seem to me far to outweigh the possible gains.

As I see the problem, Army, Navy, and War Production agencies should be regarded as concerned only in a military effort and honor bound to relax their controls of economic agencies or activities as fast and as fully as this can be done without prejudice to the winning of the war. Restoring the peacetime economy should not be confused with their quite different assignment. I believe, second, that private business will serve its own long-run interests best by accepting the brunt of taking back and administering industrial plant and market supplies with a minimum of protection against the competition that this level of productivity subjects them to. That is the point in line with the Congressman's question. I think they hesitate somewhat to exercise this very vigorous competitive philosophy, but the action which the Government takes can create a more competitive or a less competitive situation, and can pace them or can act as a drag upon such competition as they would themselves exercise.

I believe that private business must itself devise ways of living with the high productivity that fully competitive enterprise would entail. And the more promptly and more unflinchingly they set about that task, the more successfully will private business be reestablished.

The situation that you referred to was where they do really flinch from taking the impacts of that reconversion.

As I see the place of a Government resources board or office in this picture, its role is largely to resolve broad questions of public policy at a limited number of strategic points, such as the actual disposal abroad of a few categories of machinery and materials whose domestic absorption would take so long as to prejudice the orderly revival of our industrial system. The actions it takes should be decisive and irrevocable, giving business the maximum assurance as to the future market situation and providing speculators or others no opportunity for manipulation of stocks to their own advantage. Past experience at home and abroad, with cotton, corn, silver, and coffee, all show that the idea of scientific and constructive impounding and release of such stocks is a dream. The longer you have it hanging over the market and creating stale situations, the more is the revival of a really active economy retarded.

As to the handling of industrial plants likewise, I believe that the useful service of a Government reconversion board should be limited

to broad decisions of policy on a few strategic points, such as shipbuilding and synthetic rubber, which involve very specialized facilities and where conversion to other uses is largely impracticable.

One of its first clarifying and stimulating acts should be to announce a very large area in which it would assume no responsibility but in which the ingenious and flexible adaptation of strictly private business would be relied upon to make this reconversion, as fast as military control can be relaxed.

Even in the area in which such a board does accept jurisdiction, it should define its role as expediting the tailoring of plant capacity to the reasonably long-trend needs of the economy on a level of high production. It should help to convert obsolete plant to scrap and settle an ample capacity of most efficient plant firmly in private hands, without the dangers and ambiguities of large amounts of Government-owned stand-by or yardstick capacity. In a word, we should really liquidate the war economy, take our losses, and not try to postpone the day of reckoning.

Senator MURRAY. I think you have answered the questions that I had in mind to ask you in the course of your statement. I was intending to ask you the question: With increased labor productivity as the result of approved technology, is it possible for labor costs to be reduced at the same time as wages are increased?

I think you have covered that.

Mr. NOURSE. By and large, I should say "yes."

Senator MURRAY. Have you seen the bills that are pending before this committee, S. 1730 and S. 1823?

Mr. NOURSE. Yes; I have seen those.

Senator MURRAY. Would you like to make some comments on that proposed legislation?

Mr. NOURSE. There are just one or two points which I think will perhaps supplement or illustrate the things I have referred to here. As I said, it isn't possible to effect such a large reconversion operation without stepping on somebody's toes, and there will be plenty of business interests that are making very strong representations, and many of them thoroughly warranted representations.

But it seems to me that we cannot wisely draft a bill which promises that such pressures, or such disruptions, will be entirely relieved. As I said, people's toes are bound to be stepped on in the process.

I noticed in S. 1823, in section 408, it said:

> No sale or other transfer of surplus property shall be made unless the disposal officer shall certify in writing to the Administrator that in his judgement such sale or transfer (1) will not adversely affect the maintenance and promotion of maximum eployment; (2) will not unduly dislocate domestic markets.

There is bound to be some dislocation, and the word "unduly" is put in as a safeguard there. In the previous sentence it says: "Will not adversely affect the maintenance and promotion of maximum employment." I think there would be situations in which it would be shown that there might be reduction of employment opportunities at particular spots. So it seems to me that some qualifying word must be thrown around that. I think the same passage is not used in S. 1730, but if a similar passage was used it seems to me it should very decidedly be safeguarded.

A second point is in connection with sections (i) and (j) on pages 12 and 13 of S. 1730. It seems to me there again that the statement should be in the most limited terms. It sets aside aircraft, synthetic rubber, aluminum, magnesium, or steel, or any Government-owned shipyard or pipe line, unless such disposition is required by a valid contract provision.

For instance, I think that magnesium might well be dropped from that list, being a small adjunct of the light metals industry. Certainly if aluminum is covered in this special category, I see no reason for including magnesium also.

In the case of aluminum, the growth of capacity to 6 or 7 times its pre-war level, I think creates a strong case for putting it in the special category. The increase in steel, it seems to me, is by no means so disproportionate to the normal uses of a staple metal of that sore. I should think it was quite debatable whether that should be set aside in that category.

Senator MURRAY. But you do believe that magnesium should be eliminated from that list?

Mr. NOURSE. Yes; it seems to me that it goes under the wing of aluminum.

Senator MURRAY. And do I understand that you feel that steel also should not be included?

Mr. NOURSE. Well, I think it is very doubtful as to whether there is a similar case for it. I don't want to pass a categorical judgment on that, but I would suggest to the committee a careful scrutiny of the issues of policy which are involved in that, which it would seem to me are very different from synthetic rubber, shipyards, and aluminum.

Mr. KEFAUVER. Dr. Nourse, the Senate today will begin consideration of contract termination legislation—Senator Murray said he would report the contract termination bill in a few days.

Anyway, that seems to be the first big matter of the problem of reconversion that will be actually acted upon by one of the legislative bodies, and I wondered whether, in line with your idea of post-war economy, you have any comments you would like to make about contract termination, or the specific bill that Senator Murray will report?

Mr. NOURSE. No, I have not made any particular study of that bill. It seems to me that the questions there are largely questions of law, accounting, engineering, and so forth, which have to be given expert attention in each case on its merits.

Mr. KEFAUVER. I take it that you would feel, in order to have a competitive economy, that it is highly necessary that there be a workable contract termination law that enables these claims to be settled as quickly as possible?

Mr. NOURSE. Yes; promptness and completeness of liquidating seems to me the main desiderata; then, depending upon these technical agencies of advice that I have indicated, to come as close as possible to an equitable settlement. But again, the general principle that I have enunciated, of prolonging the period of liquidation in order to try and keep anyone from being in any way harmed, seems to me a policy which tends to retard the period of reconversion. As I see it, anything that does that gives us a nearby unavoidable number of un-

employed; that that immediately creates a pressing demand for some program of Government spending which will take care of those; that that immediately discourages those who have to make commitments in the restoration of private enterprise; that you get a bad cycle there. Therefore, as I said, we should take our losses promptly, come to quick and decisive and irrevocable decisions on them, clear up the conditions of the war and resume peace activity.

Senator MURRAY. And you think that it is very important that a program for the termination of those contracts, and the reconversion of industry to civilian production, be prepared as quickly as possible, be enacted as quickly as possible?

Mr. NOURSE. That general principles be understood, and that the agency for meeting these technical questions involved be set up.

Senator MURRAY. Of course, that is only one step. You recognize, of course, as we all do, that the human issues involved in reconversion are just as vital, if not more vital, than this?

Mr. NOURSE. Yes.

Senator MURRAY. And that it is just as essential that we have a program for the protection of labor in the reconversion period as it is that we have one for the protection of industry?

Mr. NOURSE. Right.

Senator MURRAY. Enabling industry to get back into production so as to avoid unemployment developing right in the midst of the war, so that if it were possible you think, I suppose, that we should have that legislation protecting labor enacted at the earliest possible moment?

Mr. NOURSE. Well, I think whatever legislation governs these settlements, that each piece of it should be passed as early as possible so that we may see the picture.

Senator MURRAY. And if we had the legislation all prepared at this time, the over-all program and the others matters, such as termination of contracts, unemployment compensation, the disposal of surplus property, approving of public works to fit in during the reconversion period in case of rapid unemployment, and any other matters that are essential in connection with the total over-all program, it would be advisable that we have it all enacted at once, wouldn't it, if it could be done?

Mr. NOURSE. Well, I should think the contract termination was the one which is most pressing, and the others as rapidly as possible in succession after that.

Senator MURRAY. But any failure to carry out a proper program with reference to all of these items would be fatal?

Mr. NOURSE. Yes; I think so.

Senator MURRAY. Have you a fear that Congress would neglect any of those steps in the interest of protecting some groups and not favoring other groups?

Mr. NOURSE. No; it seems to me that they have been diligent, have been forehanded, in getting legislation to this stage by the present time, and that it should be pressed through from here on.

Senator MURRAY. You, of course, recognize that there is a need, absolute need, for this top planning board attached to the Office of War Mobilization and Post-war Adjustment, which is sought to be considered in these two bills that we have pending?

Mr. NOURSE. Yes; I think that the point that I make with reference to that is that such a board should primarily be a broad policy board, should take care of particular exigent situations, but not attempt itself to conduct the process in any detail or to plan the details of execution.

Senator MURRAY. But it should lay down the policies?

Mr. NOURSE. Absolutely.

Senator MURRAY. Quite clearly and distinctly, and that Congress should control that?

Mr. NOURSE. Yes.

Senator MURRAY. And should lay down the policies to direct the reconversion activities?

Mr. NOURSE. I think the early and clear enunciation of those policies would be one of the most constructive forces we can have.

Senator MURRAY. Thank you for your very able statement, Dr. Nourse. We appreciate having you here, and we are certainly glad to have that statement on the record.

Mr. NOURSE. I appreciate being here.

(The statement of Senator Murray, directed by him to be incorporated in the record at the close of Mr. Nourse's testimony, is as follows:)

FROM SPEECH DELIVERED IN THE SENATE BY SENATOR JAMES E. MURRAY ON MAY 23, 1938

I mentioned a moment ago that Barron's, the National Financial Weekly, of Wall Street, in the issue of April 4, 1938, shows that 130 listed corporations had profits in 1937 which were ahead of all the previous high records of 1929. The metals had a record year in earnings as did steel, oil, aluminum, machinery, chemicals, and the automobile industry. In fact, all the heavy industries show high records for earnings for 1937.

Building material prices advanced so high as to stifle the building program of the country, and the railroad equipment prices, too, were raised so high that the railroads were compelled to abandon their program for railroad repairs and improvements.

About the middle of 1936 they began the move to run up their prices as the Federal Government poured millions into public works, and in 1937 they jacked up their prices to inordinate heights. A terrific race followed to fill consumer inventories engendered by fear of a continued rise in prices. At first industry could not execute its orders, but as inventories filled up business slacked off and unemployment began. When the inventories were completed, of course, the factories and manufacturing concerns of the country began to lay off their men, and, as they laid off their men, of course, the depression was bound to develop. By the boosting of unit prices, the sum of the prices of mass-production goods became greater than the total monetary purchasing power available in the pockets of the consumers. The result was that when these prices were so boosted and maintained, and the monetary income, or purchasing power, of the consumers was not increased, but, on the contrary, was decreased by laying men off, there was not sufficient purchasing power in the country to buy the output of American industry and agriculture at the prices charged.

The Brookings Institution has made a study of this subject and has arrived at the conclusion that the royal road to prosperity in this country is for the corporations to allow wages to be raised without raising prices, and that in that way, and only in that way, are we going to have prospertiy in the country. We have to spread purchasing power. We have to get the money out in the hands of the people, and enable them to buy the things the manufacturers are making. Some of the big manufacturers of the country are beginning to realize that they will not succeed by exploiting labor; that their success will be brought about by improving the condition of labor, and increasing its wages, and putting its members in a position where they can buy things, and not by attempting to hold down their wages.

Senator MURRAY. Mr. H. L. Carpenter, chairman of the small business division, post-war-planning committee, Commerce and Industry Association of New York, Inc., is our next witness. Mr. Carpenter, will you please state your name and official position?

STATEMENT OF H. L. CARPENTER, CHAIRMAN, SMALL BUSINESS DIVISION, POST-WAR PLANNING COMMITTEE, COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.

Mr. CARPENTER. My name is Herbert L. Carpenter. I am president of the Carpenter Container Corporation, Brooklyn, N. Y. I am also chairman of the small business division, post-war planning committee of the Commerce and Industry Association of New York, Inc.

If I may be permitted, I shall read a statement which I have prepared.

Senator MURRAY. Proceed in your own way, Mr. Carpenter.

Mr. CARPENTER. The Commerce and Industry Association of New York, Inc., is the largest chamber of commerce in New York, and a charter member of the Chamber of Commerce or the United States. The association is made up of several thousand firms engaged in over 50 different lines of business and industry. The majority of these firms would be regarded as small enterprises, although many operate on a national and international scale.

Mr. Chairman, I am one of those typical small American businessmen and I employ about 100 or 150 men in different plants. This business has been built up over the years. I have had national contact with the small industries of the country. We have the Army and Navy "E," with one star, and the War Department granted me another star yesterday. I can assure you that we think and pray to Almighty God every day that we may do our duty in winning this war, and equally do our duty in winning the peace, which is what we are fighting for.

The major field of interest of the association is in the development of local, national, and international conditions wherein private enterprise can operate effectively. Our post-war planning committee is devoting itself full-time to consideration of questions having to do directly and indirectly with employment in the post-war period. It is actively working upon legislation policies relating to cancelation of contracts and disposal of war surpluses.

Studies which have been made by our committee indicate that when hostilities end in Europe or in the Pacific area, or both, there will be unavoidable unemployment due to the necessity of converting plants from war to peacetime production and to the wide readjustments of our economy. The extent of unemployment will be determined in large measure by the promptness and procedure in settling war contracts and disposing of surplus materials and properties.

If contractors are able to get their claims settled quickly and to receive funds due them, they will be in position to convert their plants quickly and to get into peacetime production soon. Delays in settlements will slow up conversion and hence prolong the period of unemployment. Likewise, the speed and manner in which surplus materials and properties are disposed of by sale, lease, or transfer will

also affect employment. If there are long, unwarranted delays encountered by contractors in acquiring plants, equipment, and related properties which are now Government owned, they will be that much longer in undertaking peacetime operations and employing workers.

Furthermore, if there are any indications that surpluses may be dumped on the market or will get into the hands of speculators, manufacturers will be very hesitant to undertake production and such a course would prove a brake upon employment which would have ramifications into many fields.

The Congress is certainly in a position to prevent serious unemployment which may occur upon contract cancelations. It is the only agency with the power to provide for quick and equitable settlements of contracts and for orderly and economically sound disposal of war surpluses. I am certain there is the will and the ability in Congress to do this job and I am sure you appreciate that sound solution of these problems is vital to the welfare of cur Nation, and second only to winning the war.

I think, apropos of what the previous speaker said, and what you said, Senator Murray, that this is vital from the standpoint, and the principal standpoint of the employment of labor and the welfare of labor.

In the opinion of great numbers of businessmen and industrial leaders with whom we are in constant touch, it is of the utmost importance, and particularly to the small industries, that this Congress act prompty in determining measures to be pursued with contract terminations and settlements, disposal of probable war surpluses, revision of tax regulations—I hope Congress is going to review that with a very serious consideration from the standpoint of the little man—so that business will be able to operate effectively and provide employment after the war; and means, based on business experience and practice, to accomplish the elimination of control of prices and goods as promptly as possible.

Mr. Chairman, on the question of control of prices and goods, those who vision the economic upset which we are approaching certainly feel that prices of goods, and rationing of essential products, as well as adequate distribution of the limited available essential and nonessential civilian goods, will have to be under some control in order that justice is done to the little fellow.

As the day of victory comes nearer and we come closer to the task of undertaking peacetime operations again, it is imperative that we have here in Washington an effective administration of measures to solve these problems. It is our view that Government faces a challenge as to whether it will be as efficient in aiding business and industry—and I might add labor—to win the peace as business and industry have been in aiding it to win the war. The attitude of Congress in approaching these problems is a very hopeful sign.

We have a long, hard pull ahead of us. Domestic and world needs must be ascertained and met. The necessity for speed in resuming peacetime operations should be a strong deterrent against pursuing untried schemes. Taxes will be heavy for years to come and there is no excuse for making them heavier through unnecessary unemployment and by the creation of unwarranted Government bureaus and

agencies. Instead, we should be giving thought now to extensive curtailment of the many agencies we now have; to an ending of the unwarranted and inexcusable duplication of effort that goes on; and to reduction in the countless rules, regulations, directives, and questionnaires that are slowing up the war effort and which, if continued, will definitely impede full employment and peacetime progress, particularly in small business and industry.

Mr. Chairman, I should like to say that I have presided at innumerable meetings with thousands of industries in behalf of the War Production Board, the War Labor Board, and the O. P. A., and whereas the large institutions, with executives who are detailed directly to conform to all of these rules and regulations get along pretty well, the major part of the typical small industry or business in this country is totally unable to even learn the functioning and requirements of these vast numbers of rules and regulations; and it is the sincere hope on the part of small business, perhaps through the Smaller War Plants Corporation, or some other agency, and perhaps through the Small Business Division of the Department of Commerce, that simplification may be granted to the smaller businessmen so that in this conversion period they can live.

Senator MURRAY. I might say this, that when the Small Business Committee was first created, we sent out questionnaires over the country asking them to give us their complaints about what they thought Congress might do to assist them, and one of the chief complaints we had was the fact that they were being deluged with these demands for questionnaires and reports, and so forth. As a result of that we enacted some legislation here to protect them from that sort of a situation because these reports and questionnaires were largely duplications—so we are overcoming that.

I had a report on the administration of that new bill just recently, which indicates that they are making very rapid headway in preventing small business from being pestered by demands for unnecessary reports and questionnaires.

Mr. CARPENTER. Your efforts will be a great contribution to the happiness and progress of the small businessman, I am sure.

Mr. KEFAUVER. Mr. Carpenter, while you are talking about small business, I am interested in your statement that you had a great many contacts with hundreds of small businesses throughout the country——

Mr. CARPENTER (interposing). Thousands of them.

Mr. KEFAUVER. I. personally, have a feeling that during the period of reconversion and readjustment that it is going to be most necessary that we have some organization, like a revamped Smaller War Plants Corporation, to help fight the battles for small business and small plants. I wonder if you feel that the S. W. P. C., or some organization like that, should be in existence and should have real authority and contacts so that it can help small business?

Mr. CARPENTER. I feel that it is very necessary, gentlemen. I am a conservative businessman in every sense of the word, but the condition today is an example. I think you will find that the record will show that the great drygoods houses, with their purchasing pools, and the 5-and-10-cent stores, as nationally constituted, and the mail-

order houses with their superior purchasing ability and financial resources, are acquiring a major part of all of the available civilian supplies today, and the shelves of the little, typical town store all over the country are denuded. That is not an evidence of greed, perhaps, on the part of the larger units, but an evidence that the little fellow needs help very definitely.

Mr. KEFAUVER. Mr. Carpenter, some people of course have the theory that the Smaller War Plants Corporation was created for bringing small business into the war, and that when the war is over its function should cease and that at that time the Corporation should be abolished. As you know, Senator Murray has been giving consideration to revitalizing the Smaller War Plants Corporation for the reconversion period, to help small business, and I wonder if you have studied Senator Murray's proposed bill?

Mr. CARPENTER. I haven't studied any new one, but the Smaller War Plants Corporation in our territory asked me to act as one of their advisers, and I can assure you now that they are using their facilities for disseminating among the smaller industries very valuable infomation on the peparation of their records and books in advance, in order that contract termination as it affects the small industries may not reach an impact and complication that will destroy them. I think that the Smaller War Plants Corporation is doing a fine job in that respect. They have the facilities, they are collecting the various industries, thousands of them, under headings of the various industries they are in, determining which of those groups are in distress, deprived of proceeding with manufacture due to limitation orders, and are doing a fine educational job in enabling small industries to look into the future. I think the work it has already done is fine and they have a good deal to do from now on.

Senator MURRAY. It can be a great help in enabling small business to secure a fair share of the surplus materials.

Mr. CARPENTER. I feel so, too. I heard you ask the previous speaker, Mr. Chairman, as to whether the larger concerns should be allowed a general suspension of the re-use of some of these vital materials as against allowing the small industries to begin in the early stages. I don't think there is anything but one answer there.

The big concerns that are engaged in war production have planned effectively and in detail for conversion periods, and conversion sales, and conversion markets. The little man has been totally unable to do that; he is out on a limb. Through the limitation orders he may have been reduced to almost bankruptcy, and yet he is hanging on although it may be an essential little industry in a community.

I believe the little fellows should have the first opportunity, and I think it would be a great shame if those who have charge of the policy in the distribution of these materials did not, under the direction of Congress, give the little man an early opportunity to get back on his feet so that he is at least in a competitive position.

Now the other people may complain as to that, but I think they are wrong. You gentlemen know that probably 70 percent of the employment of this country is in the smaller industries and businesses, and 70 percent, probably, of the invested capital of the whole country is represented in the multitude of small, typical American, industries and businesses. They are, under the restrictions of this war, and

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through no fault of their own, in a deplorable condition, and yet they are the foundation stone of our future employment and prosperity; and anything which Congress or the instrumentailities created by Congress can do that will openly and deliberately safeguard the small business of the country, I think is not only the right thing to do but that it is their duty to do it.

Senator MURRAY. That is a very excellent statement, and it is right in accord with what I have been thinking about the problem, but I want you to know that there is another school of thought on that, and they feel that big business should be protected from the competition of these small concerns and that, as the contracts are terminated, the smaller concerns should not be allowed to enter into the production of civilian goods or products which in any manner compete with the larger concerns.

It does seem to me to be a very narrow view, and I am very glad to have your statement.

I also wish to give you the proposed amendments to the Smaller War Plants Corporation bill.

Mr. CARPENTER. Thank you.

Fortunately, I have been able to be in contact with many of the larger and smaller industries. I can assure you that the major part of the larger industries of the country, if they were not awakened to it before are now, that the whole prosperity of this country in the reconversion and post-war period is going to be dependent upon the security and the prosperity of the small industries, and if they fail and fall it will be a terrible blow to the whole economy of the country.

I think that that other school of thought which you referred to consists of a limited, thoughtless group. I think that we all feel that the future holds forth a period, as you said awhile ago, of wide employment. Our whole attitude in the proceedings, in the study of this question, is: employment and more employment at the best possible wages, and the conduct of industry on the basis of the highest possible efficiency at the lowest prices. We can have good prices of labor and we can have low prices of material through high efficiency.

But the major issue is wide employment and more of it, because upon wide employment, good wages, and high purchasing power in this country rests the foundation of our future prosperity. We know that; I practice it in my business.

Senator MURRAY. That is right. In other words, our American mass-production system must be supported by a mass-purchasing power in the hands of the people?

Mr. CARPENTER. It must be. Another thing is—and I think we have all got to recognize it—that this war has caused a terriffic period of destruction all over the world, the loss of vast numbers of the cream of our young men and women, and that the future period of reconstruction in the post-war era cannot be a period of great profits for anyone. It has got to be a case of willingness to sacrifice all along the line.

I have said to many groups that the future means that we have got to proceed not for our individual benefit but for the welfare of all, and if we don't, we will fail ourselves.

The philosophy of the little American businessman is pretty sound, Mr. Chairman, and he sees the light ahead and he is willing to go along—and the others will have to.

Congress should provide for the rapid settlement of contracts and disposal of surplus properties; for the coordination of cut-back policies and programs with allocation of materials for civilian production, particularly to enable small enterprise to survive and again become the greatest source of employment. Congress should also provide for control of prices and materials for as short a time as conditions warrant, and we know it will have to be for some time.

We already have agencies which should be capable of handling problems of education, social security, employment, and reconversion financing. There is no reason for duplicating their efforts by setting up new agencies to handle such situations as may be created by the return of service personnel, lay-offs of workers from war production, and resumption of peace operations.

It is the opinion of those whom I represent, also of members of comparable groups of business, industrial, and agricultural men whose executives we have conferred with—and who are the "grass rooters" as I know—that the Congress should make it clearly evident that the aim and intent of our Government is to bring about quick, equitable, and complete settlements of war contracts and to accomplish the disposal of our war surpluses by recognized standard business procedures which will not permit these surpluses to come into the hands of nor promote monopolistic control; will not permit them to fall into the hands of fly-by-night speculators or others seeking "fast" dollars; and will not permit them to disrupt efforts to restore our industrial, commercial, and agricultural enterprises to a sound peacetime footing.

In striving for peacetime progress and prosperity, it is vital that the Congress keep in mind that speed in converting from war to peace operations is of the essence.

I don't want you to think that small business, or any of us, deviate for one minute from our vital duty to see this war won first, but that is no reason why we shouldn't plan to be sure that we secure the thing we are fighting for.

Delays and unsound moves can only pile up costs and an endless array of troubles. There seems no doubt that Americans as a whole much prefer to stand on their own feet, to earn their own living, to live as they deem best. They have had their lesson from Government doles and made work. They know there are taxes that must be paid to cover the cost of the war. They do not want those taxes increased to pay for work projects undertaken as a cover-up for inefficiency and slowness in winding up war matters. We believe that it is much better for the Government to pay out a few millions in the settlement of contracts, and to accept market prices for these goods in disposing of surpluses, than to hand out billions in doles and relief jobs. If you will provide the opportunity for Americans to get to work promptly when war demands end, they will take the war bill in stride and America will move forward.

It is clear, therefore, that the Congress should pass legislation authorizing prompt and final settlements and arrangements for the proper disposal of war surpluses. This legislation should eliminate

personal liability on the part of those actually doing the work—except in cases of fraud or collusion—and should encourage final settlement by negotiation rather than through exhaustive audit.

Mr. Chairman, I have been through cut-backs and cancelations and new contracts, and I have the highest regard for the procurement agencies of the Army and Navy, and they have been given the responsibility and the authority and the money to execute these contracts; and under policies created in Washington, definite policies under the pending laws, they are the ones than can do the job, meet the obligations that the Government has to those who have done the war work and now have their contracts canceled, and do it as quickly as possible.

I congratulate you gentlemen on getting this contract-termination bill in fine shape at the earliest possible moment because that is the first step vital to the progressive steps that will have to come afterward.

It would be a physical impossibility to arrange any system of extended audit of hundreds of thousands of contracts and subcontracts that would not result in serious delays in final determination, and the creation of disastrous unemployment. The cost to the Government of meeting such unemployment, and to the country as a whole because of it, would be enormous and many, many times any amounts that might be lost to Government through settlement by negotiation. This is also particularly true of the small businesses.

With proper legislation that will make for prompt, final determination of canceled war contracts that will enable industry to employ men, it will not be necessary to even consider other programs which have been advocated because men returning from military to civilian life will be able to find jobs on a straightforward basis without seemingly being in the position of accepting favors. There is no question but that able-bodied veterans will need the opportunity to work when the peace comes, more than they will need anything else. It was partly because such men were unable to obtain useful work following World War I that the nervous tension brought about by war could not be controlled. In many European countries, returned soldiers and others were unemployed and put on a dole. This resulted in the development of tremendous unrest which helped lay the foundation for World War II.

We do not wish to risk the development of such a situation when the present war is ended. If we are to succeed in this, returning soldiers must assume all the responsibility of citizenship for their own protection and for that of the people of the United States. Any plan which would permit a lessening or sidestepping of this responsibility should, therefore, have no place in our laws. That has no reference to disabled veterans or others who are unemployable, concerning those whom we know that nothing can be done to match the sacrifices that these boys have made, but let's don't take the responsibility of citizenship off their shoulders when they come back.

Disposal of surplus supplies should be carried out by the agency provided for in the Baruch-Hancock report. Laws should be passed to supplement this report, preferably S. 1718 and S. 1730, separately or in some combined form that will give force and strength to the

Executive orders covered in the Baruch-Hancock plan, and that will carry Congress into the situation in such manner as to best protect the interests of the people.

Property and other supplies held by, or for, the Government following cancelation of contracts should, when they have been declared surpluses by the military agencies of Government, be turned over for disposal in accordance with policies established by one agency for that purpose.

All methods of disposal should be those which, when carried out, make for the protection of the private enterprise system and their utilization in such manner as to enable industry to function and employ men. There should be no dumping processes that would injure or destroy markets either here or abroad; no Government competition with private enterprise, and no method should be employed which would result in useless waste or that will put brakes upon the smooth working of business, industry, and agriculture, including labor, throughout the country.

Our major issue is to insure full employment when war ends. It will be the foundation of our future prosperity.

That, gentlemen, is the essence and, I think, typical of the attitude of the American businessman who has struggled through this war, the American small businessman who has rendered invaluable service to the war effort and hopes and believes he is entitled to the protection of the Government, where necessary, to secure his position for the future.

Senator MURRAY. Thank you, Mr. Carpenter, I think you have made an excellent statement here. I think that the whole country is in sympathy with everything that you have said here. The preservation of small business in the post-war period, as you have so ably pointed out, is the most important issue confronting us.

Mr. CARPENTER. We believe so.

Senator MURRAY. Because if anything should happen that would permit the destruction of our system of small-business enterprise in this country, our whole democratic system would fall with it, it seems to me.

Mr. CARPENTER. It would.

Senator MURRAY. I also appreciate very much your observations with reference to the need for maintaining good wages in this country, and it seems to me that in the reconversion period we are going to be up against problems of temporary unemployment, and there is need, in connection with this post-war planning, of a very strong system of unemployment compensation, so that as men are eliminated from jobs they will not suffer as a result of unemployment.

Mr. CARPENTER. On the other hand, Mr. Chairman, the destruction throughout the world has been terrible. This country has been blest—although it has lost many of its young men and will lose still greater numbers—but its property loss has been small, and under the proper guidance and control and operation of our economic system there seems to me to be every opportunity in this country, if everyone works together and sacrifices for the general good, that we will have continual employment, we will have opportunities for the returning soldiers who are able-bodied, and for the workers who come from the war plants and have to go back into industry.

There will be a great reorganization, but we have done a miracle in war production and let's do the same miracle in readjustment. If we do it with the same spirit, I am quite optimistic that many of these other activities in the way of made work and dole and other things may possibly be avoided.

I think Congress has a very clear view of both the objective and their responsibility, and I know that the small business of the country stands ready to cooperate in every possible way with Congress in meeting their responsibility.

Senator MURRAY. Thank you very much, Mr. Carpenter. That has been a very inspiring and encouraging statement, and I want to thank you.

Mr. CARPENTER. Thank you, sir.

Senator MURRAY. The hearing will now adjourn until Thursday morning at 10:30, at which time Brig. Gen. Frank T. Hines, Administrator, Retraining and Reemployment, will be the only witness.

(Whereupon, at 11:50 a. m., the hearing was adjourned until Thursday morning, May 4, 1944, at 10:30 o'clock).

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Columbia University
NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1730

A BILL TO CREATE AN OFFICE OF DEMOBILIZATION, ESTABLISH GENERAL POLICIES FOR THE OPERATION OF THAT OFFICE, PROVIDE FOR THE SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS, PROVIDE FOR THE DISPOSAL OF SURPLUS GOVERNMENT PROPERTY, AND FOR OTHER PURPOSES

S. 1823

A BILL TO ESTABLISH AN OFFICE OF WAR MOBILIZATION AND ADJUSTMENT

PART 4

MAY 4, 1944

Printed for the use of the Committee on Military Affairs

UNITED STATES
GOVERNMENT PRINTING OFFICE
98534 WASHINGTON : 1944

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

THURSDAY, MAY 4, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE
OF THE COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to recess, at 10:30 a. m. in room 318, Senate Office Building, Senator James E. Murray (chairman) presiding.

Present: Senator Murray, and Representatives Kefauver and Gwynne, members of the Committee on the Judiciary of the House of Representatives.

Also present: B. M. Gross, staff director.

Senator MURRAY. I should like to make a short statement for the record before we open the hearing.

On February 15, the Baruch-Hancock Report recommended the appointment of a Work Director to "work with Congress on a combined program of legislation and operations for the entire human side of demobilization."

In conformance with this recommendation, the President appointed the able head of the Veterans' Bureau, Frank T. Hines, as Director of Retraining and Reemployment. It is with great pleasure that we now look forward to General Hines' recommendations for Congressional action on the human side of demobilization and post-war adjustment.

Contract-termination legislation, which is before the Senate today, is well on its way toward final action in both Houses of Congress. Expeditious action on this matter will clear the decks for a full-fledged attack on the human phases of reconversion.

It is my conviction—and the conviction of many of the leading Members of Congress—that decisive legislation on retraining and reemployment must be enacted during this session of Congress. As I said on the floor of the Senate yesterday afternoon, this legislation must be enacted even if Congress must stay in continuous session until the end of the year.

I know that General Hines takes the same position and that Congress can rely on his cooperation in the development of adequate legislation in the field of retaining and reemployment.

General HINES. Mr. Chairman and gentlemen of the committee, I would first like to make a general statement, and then refer to the

statement that I furnished the committee, which is the Statement of Facts and Problems Before the Administration.

In relation to the matters under your present consideration and in keeping with the request of your committee, permit me to make a few preliminary observations to you in the field of fitting and adjusting the manpower of this Nation to the period before us. Having accepted the appointment by the President as Administrator of the Retraining and Reemployment Administration in the Office of War Mobilization, a position established, as you know, following recommendations of the Baruch-Hancock report, I enter into this work conscious above everything else that full understanding and unity in all the forces of our Government and our people are indispensable factors to the attainment of that success that will mean so much to us in the years ahead. No intelligent person can follow the work of this present Congress without recognition of its awareness and its virility of thought and action to problems confronting us. I welcome this opportunity to discuss with you the importance and the objectives of our retraining and reemployment work.

I could not enter upon my duties with the same sobering feeling of responsibility that possesses me if I were not so fully imbued with a consciousness that the retraining and reemployment of our manpower is the vital spot of all endeavor looking to the great transition from war to peace—the vital spot in protection against the dangers that will beset us—the vital spot in the continuance of our American way of life as freemen. Herein I feel is the key to the accomplishment of a cherished contentment and happiness for our people when implements of war are put aside.

If everyone in the United States willing to earn an honest living in the field of work for which he or she is fitted is given the opportunity to do so, the danger of difficulties that otherwise inevitably would arise will be dissipated. Domestic problems that will remain with us and new issues that arise from time to time can and will be controlled with a self-respecting American citizenry gainfully employed.

I believe I do not lose my perspective in feeling the importance of this matter. I know full well what hangs in the balance in our relationships with the nations of the world, either in the potentialities of conflict or peaceful pursuit of commerce. But I do maintain that we may win the war and win the peace in international adjustment and stability following the peace, and yet lose the peace here within our own borders at home if we fail in that coming great test of our Government's ability in our adjustment from war to peace. The retraining and reemployment of our manpower constitutes the very heart of that tremendous undertaking.

It takes very little imagination to conceive the extent of the work before us. You will recall the expressed hope of the President that we would serve the democracies of the world in necessary war materials to repel oppression.

The merits of such a status is now beside the point in relation to the work of retraining and reemployment. The fact is that we are now

the arsenal of democracy. This has entailed the building up almost overnight of a colossal industrial machine the like of which never before has been witnessed. During the incredibly short space of 3 years gross national production increased 100 percent from $100,000,000,000 in 1940 to $200,000,000,000 in 1943. Our armed forces have been increased by more than 10½ million. Manufacturing employment has increased to 175 percent of the 1939 base; an unprecedented labor force of approximately 61½ million are at work, more than one-half of them engaged directly in the war effort. Great shifts in our population have taken place and will continue to take place from one type of industry to another and from one locality to another. High wages are paid, and there is an abundance of work for all. Our great American industry—a colossus in the world even before the outbreak of this war—has been geared to the gigantic struggle in which we are now engaged and runs full ahead gaining momentum in its progress. What were bluprints but a year or 2 ago are now thunderous factories employing millions of men.

We have no admirals, we have no Army officers, we have no laymen and we have no seers among us who can tell us when this war will end—or how abruptly. But any man of common sense among us will recognize the absolute necessity of preparedness to meet any eventuality in this respect. The peace that is rightly longed for in hearts of the mothers and fathers of America when the victory is won, can only turn into the deserved fruition of security and happiness if we can successfully meet the dislocation that the peace will entail as well as we have met the onslaught of our enemies. That this Congress is aware of that fact is evidenced by the many measures proposed or agreed to by the Congress looking to post-war social and economic problems.

The functions of the Retraining and Reemployment Administration are defined and described in the Executive order establishing it as follows:

> With the assistance of the Retraining and Reemployment Policy Board, composed of a representative from the Department of Labor, Federal Security Agency, War Manpower Commission, and the Selective Service System, the Veterans Administration, the Civil Service Commission, the War Department, the Navy Department, and the War Production Board, it is the function of the Administration:
>
> (*a*) To have general supervision and direction of the activities of all Government agencies relating to the retraining and reemployment of persons released from the armed services or other war work, including all work directly affected by the cessation of hostilities and the reduction of the war program * * * and to advise with the appropriate committees of Congress as to the steps taken or to be taken with respect thereto.
>
> (*b*) In consultation with the Government agencies concerned to develop programs for the orderly absorption into other employment of persons discharged or released from the armed forces or other war work, including adequate provision for vocational training, the finding of jobs for persons so discharged or released, or assisting those persons and their families pending their absorption into employment, and for dealing with the problems connected with the release of workers from the industries not readily convertible to peacetime use. * * *
>
> (*c*) In consultation with the Government agencies concerned to develop programs for the adequate care of persons discharged or returned from the armed services, including physical and occupational therapy for the wounded and the disabled and the resumption of education interrupted by the war.

Under the foregoing as Retraining and Reemployment Administrator, I fully understand and realize that my duties cover a very wide field in demobilization, rehabilitation, retraining, and relocation. In unity with the Congress, Government agencies, industry, and organizations of labor, I conceive it to be my task to chart, in the matter of manpower, the road back when the peace comes. It is not an easy task. The problems of demobilization are no less, and in many respects far greater, than the problems of mobilization. As in peace we must be prepared for war, so in war we must be prepared for peace. The war effort and measures to insure the peace are interlocked; where the military leave off in the forward prosecution of the war, civil authority must carry on the great war-making machine in reverse. In the security of the Nation the latter is no less important than the former.

Among the problems confronting the Retraining and Reemployment Administration are the following: Jobs for all who can and want to work; vocational training for all who need it; resumption of high-school and college educations interrupted by the war; special care and consideration for disabled veterans, including physical and social rehabilitation; special employment problems of the great war industries; timing of release of workers from industry; rate and method of demobilizing the armed forces; problems of the geographical dislocation of labor; adjustment of labor laws to changing manpower needs; adequacy of unemployment insurance; distribution of information on occupational trends; advice and guidance in respect to employment; consultation with Congress on all of the above problems.

One of the cardinal principles of the Administration will be emphasis on the human factors involved. Never shall I loose sight of the fact I am dealing with souls—individual human beings with rightful individual characteristics and desires. The American way of government and of life shall be maintained in our work as against any Fascist rule that glibly obliterates the individual for advantage to the state.

At the entrance of the National Archives Building, where rest the permanent records of this Republic, there are inscribed in the marble at either side the two inscriptions: "Study the past" and "History is prologue." I intend, gentlemen, in the Administration of retraining and reemployment to recognize those inscriptions, particularly in the light of the history of our country in the wake of the last war. As to the millions of servicemen who will return to civil life, I set my goal that not a soul among them will become a mendicant—except at his own choosing. To do this, the help and full cooperation of the Congress, of Government agencies, of labor, and of business is essential.

A multitude of facts and figures will enter into the work of the Retraining and Reemployment Administration. I shall not burden you with any detailed recitation of these. A few passing references may be of interest. According to the estimate of the Bureau of Labor

Statistics, immediately after the war, manufacturing industries will face the largest total decline from a war peak of around 17,000,000 to perhaps 12,000,000, with tremendous cuts in manpower in such industries as aircraft, shipbuilding, and machinery. Total Government employment will take a cut-back from approximately six to four million. The same Bureau of Labor Statistics estimates shifts in industry as follows: The manufacturing industries in which there will be a post-war reduction in labor force are iron and steel, about one-half million; machinery one million, aircraft over a million; shipbuilding over a million; chemical and petroleum products one-third million; automobile concerns about a quarter million; and food one-quarter million.

Those industries in which it is estimated the labor force will remain approximately the same are printing; railway equipment, rubber, stone, clay, and glass; and those wherein there will be increases in labor are lumber, about one-sixth million; textiles, apparel, and leather products, of about one-half million. In the nonmanufacturing industries there will be a reduction aside from the Government service about one-fourth million in transportation and in the nonmanufacturing industries in which there will be an increase we find construction estimated at nearly two million increase, trade three-quarters of a million, finance and services one-sixth of a million.

The people of this country are vitally interested in retraining and reemployment, and are fully awake to its importance. Abundant evidence of that fact already has reached me. Business organizations, educational institutions, labor councils, alike, unmistakably have shown their interest. I have confidence there will be cooperation in our efforts commensurate with that interest. A great part of my job lies in the maintenance of mutual understanding and unified action on the part of industry and labor. I feel hopeful that this working together in this vital question of retraining and reemployment will serve a purpose in the furtherance generally of understanding in all relations between industry and labor.

I do not conceive this retraining and reemployment work as an overnight job. There must be a well-grounded and sustained effort to maintain the structure of Government assistance. This is not a stroke to put the Government in business further. It is the direct opposite. It is an effort, in the words of the Baruch report, to get Government out of business and private enterprise into it.

I have given you, gentlemen, with intended helpfulness, a brief general view of the work in hand for the Retraining and Reemployment Administration. In the interest of our boys, who now bear the shock of the battle lines on foreign soil, in the interest of the American worker here at home, and for the common good of our beloved country, I will carry on in the confidence that the work in which we are engaged will have your full support. I hope I will have your full support.

Mr. Chairman, I would like to introduce following that general statement, the statement of fact and problem before the War Contract Subcommittee of the Committee on Military Affairs, United

States Senate, which I submitted to you, and, with your permission, I will be glad to take up all of them in the order given or any special ones in which the committee may be particularly interested at this time.

Senator MURRAY. Thank you, General Hines. The statement of fact which you have prepared will follow your first statement.

(The statement of fact and problem referred to is as follows:)

STATEMENT OF FACT AND PROBLEM BEFORE THE WAR CONTRACT SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS, UNITED STATES SENATE, BY GEN. FRANK T. HINES, MAY 4, 1944

Pursuant to the recommendations of the Baruch-Hancock report the Retraining and Reemployment Administration was set up in the Office of War Mobilization, coordinately with the Surplus Property Administration, to guide the processes of demobilization, retraining, and reemployment.

PROBLEM IN BRIEF

The magnitude of the task is indicated by the fact that more than 12,000,000 workers have been added to the pay rolls, that half of the 62,000,000 persons in the labor force are directly in war work and that there has been a dislocation of workers in industries and occupations as well as a geographical dislocation which breaks all migration records. Probably 20,000,000 people will have to change their work at the end of hostilities. Millions of these will have to change their location. In order to make the shift over from war to peace activities many of them will need retraining, interim unemployment compensation, and finally location in peacetime jobs.

HISTORY OF PROBLEM

In 1918 there were plans for the transition period and legislation had already been introduced into Congress for the institution of a planned scheme to gear demobilization to the economic situation, but so engrossed were our public officials in the prosecution of the war and the preparation of plans for the peace that this legislation died in committee with little or no debate. As a result, when the armistice came peace caught the country unawares. There was no over-all organization of Government agencies to plan the transition. There was no flexible national program to bridge the gap between war orders and peacetime production. There was no efficient employment policy involving the cooperation of management, labor, and Government to steer the course of demobilization, conversion, retraining, and reemployment. Thus the country faced the post-war period without the guidance of its leaders. There was no time for the selection and training of the administrative force needed for the task. The whole process of demobilization and reemployment was thrown into confusion. One month after the armistice, while plans for demobilization were still in the formative stage, half a million men were released from the armed forces, and, unfortunately, about one-third of these were demobilized in areas where thousands of workers were being released from war plants. There was little coordination between the concelation of war contracts, conversion, and reemployment. Demoralization resulted. Soldiers returned from Europe and from camps in the United States to cool their heels in employment offices and to walk the streets looking for jobs that did not exist. Finally came the depression of 1920 and the great depression and break-down of 1933.

Our impending dislocations are far greater than they were in the last war; hence the potentialities for eccnomic and social catastrophe are greater. In such a situation over-all guidance becomes absolutely necessary. This Nation cannot fight a war for freedom from fear and freedom from want and run the risk of having its population faced with the fear of depression and want when the war is over. Bills have been introduced by Senator George and Senator Murray, S. 1730, and by Senators O'Mahoney and Kilgore, S. 1823, on this problem.

RETRAINING AND REEMPLOYMENT ADMINISTRATION

In order that the mistakes of the past might not be repeated and to provide adequately for events to come, the Retraining and Reemployment Administration was set up by Executive Order 9427, under authority of the First War Powers Act of 1941. Its duties are as follows:

FUNCTIONS

The functions of the Retraining and Reemployment Administration with the advice of a Policy Board of representatives of nine Government agencies under the supervision of the Director of War Mobilization and in consultation with the Government agencies concerned are:

1. To have general supervision and direction of the activities of all Government agencies relating to the retraining and reemployment of persons discharged from the armed services and persons released from other war work, including all work directly affected by the reduction of the war program.

(*a*) To issue necessary regulations and directions in connection therewith.

(*b*) To advise with appropriate committees of Congress as to steps taken and to be taken.

2. To develop programs in consultation with the Government agencies concerned for the orderly absorption into other employment of persons discharged or released from the armed services or other war work, including:

(*a*) Adequate vocational training.

(*b*) Securing of jobs.

(*c*) Assistance to discharged persons and families pending reabsorption.

(*d*) Special consideration of the problem of release of workers from nonconvertible war industries.

(*e*) Integration of the above with wartime manpower controls.

3. To develop programs for the adequate care of persons discharged or released from the Armed Services, including:

(*a*) Care of wounded and disabled by physical and occupational therapy and vocational rehabilitation.

(*b*) Provision for the resumption of education interrupted by the war.

WORKING PRINCIPLES

Present viewpoints and assumptions are as follows:

A. The task constitutes a major national problem. The change-over from war to peace will affect every part of our economic life. No comparable task has exer existed before. More than $50,000,000,000 worth of annual current production of strictly war goods will be stopped when the war ends. This gap must be filled in large part by civilian production and civilian services. In solving the problem it will be necessary, in the language of the Baruch report, "to cure the things that cause us worry; to strengthen the good; to hold to the proven, as well as to test the new."

B. The task which confronts the Retraining and Reemployment Administration involves a partnership of Government, industry, and labor. While the function of the administration is to secure facts and set up policies and issue regulations and procedures for an over-all guidance of the reconversion processes, as well as to institute programs, it cannot accomplish the purpose without the cooperation of industry. Manufacturers and businessmen through their organizations will need to make plans for peacetime production, including surveys of need, liquid purchasing power, deferred demand for consumers goods, schedule of producing the right amount of goods to meet the demand over a given period of time, and the translation of manufacturing estimates into terms of man-hours and job and labor inventories. Labor, on the other hand, will cooperate in various ways. Thus control will be matched by individual initiative and free enterprise.

C. Reemployment is the key to the post-war problem. The solution is full employment in an expanding economy. An economy of scarcity and the cutting down of the labor force are not the solution.

D. The veteran's welfare is closely interwoven with the welfare of all.

E. Production must be maintained as high as good business judgment will dictate. There must be work to do. Without it there can be no jobs. Utilization of the present labor expansion cannot take place in a vacuum. At the war's end there will be a tremendous void to fill which can only be filled by full production of civilian goods and full use of services. Everything that will stimulate business, therefore, is essential to this program. There must be full utilization of new products and new inventions; full utilization of schools with their training faculties; dissemination of research findings on new world needs which can be met by American industry; encouragement of extensive trade with the nations that will need to be rehabilitated and rebuilt; encouragement of investment; adequate wage standards so that the population can purchase what it makes. As a means to this end industry and business must make plans now. It must estimate consumer demand, lay plans for reconversion of plants and machinery, estimate demand and purchasing power, estimate the product that should be turned out, and the labor components necessary to produce it. Various plans, such as the Gray plan and Lea plan, have been proposed.

F. The full use of cushioning is necessary. The cushioning factors in the situation are as follows: The war will probably end in different places at different times, making a gradual demobilization possible, both of soldiers and war workers. Their absorption by peacetime industry will be aided by several factors—the retirement of many women from the labor force, especially in agriculture; the return of younger workers to school; the resumption of college and professional training which was interrupted by the war, now estimated as a back-log of 1,500,000 man-years of college education; the retraining of both soldiers and war workers to prepare them to take new jobs; the renewal of services and businesses stopped by the war; the starting of new enterprises based on inventions developed during the war; increased production and commerce to meet the needs of rehabilitation and construction in devastated countries; increased travel; reduction of the work week; increased time for recreation; retirement of the older people, etc. These factors will cushion the transition from war to peace and should be kept in mind as aids in the readjustment program.

INVENTORY OF PROBLEMS IN RETRAINING AND REEMPLOYMENT

The following problems are receiving the attention of or are closely associated with the task of the Retraining and Reemployment Administration:

Fact finding and information.

1. Information on manpower needs and available labor supply—present and projected inventories.
2. Occupational outlook information; probable war-to-peace shifts in the labor force; amount of increase and decrease in labor demand for each industry and occupation within the industry, by States and regions.
3. Occupational analyses with emphasis upon common factors in related occupations for purpose of transfer of workers from wartime to peacetime jobs and from military to civilian pursuits.
4. Physical demands studies; job studies from the point of view of the requirements of the work for the selective placement of the handicapped.
5. Information for industries on how to use the handicapped in work they can do, maximizing their abilities and making minimal demands on their disabilities.
6. Handbook giving all the information on his rights and privileges a soldier or war worker needs to know.
7. Information centers for servicemen and war workers giving, in large cities, full information through specialized and trained interviewers, and in small places standardized information and handbook with referral to agency concerned which can give full advice and service.
8. Pooled information for guidance of production program for various industries.
9. Information on demobilization ratios in different geographical areas.
10. Economic and job information for soldiers, veterans, and war workers to guide them in their plans for retraining and employment now.
11. Report system for a quarterly survey and assembly of all information necessary for the reemployment program.

Demobilization, reconversion, and reemployment.

12. Questions of scheduling of reconversion of plants while the war is going on and afterward.
13. Problem of rate of demobilization in relation to ability of industry to absorb workers.
14. Cut-backs on contracts in areas of labor shortage first and in areas of labor surplus last.
15. Demobilization of war workers in industries and areas with due regard to the effect of such demobilization on the workers, the returning servicemen, and on industry.
16. Aid to industries in the development of manning tables and job and labor inventories in projecting peacetime plans.
17. Balancing labor supply and demand by redistributing production where necessary.
18. Redistribution of labor from region to region to take care of the displacement occasioned by the war and to improve its utilization.
19. Continual reappraisal of the national production requirements in relation to consumer demand and manpower resources.
20. Provision for maintenance, reeducation, and utilization of men and women in factories where retooling is going on.
21. Limits of demobilization of Army and Navy in the light of national defense needs.
22. Estimated demobilization schedule after one enemy is defeated; when both are defeated; during period of military government, and after.
23. Demobilization priorities: Those who have jobs waiting, first; oldest or married first; longest in service first? Which policy will serve reemployment and stabilization best?
24. Demobilization of wives with husbands.

Retraining.

25. Adequate provision for vocational training through utilization of agencies concerned and established institutions to enable soldiers and war workers to enter new employment.
26. Conversion of war training institutions and programs, civilian and military, to peacetime training; utilization of suitable plants and facilities.
27. Institution of new facilities and courses if necessary.
28. Course construction, based on job analysis; streamlining and acceleration.
29. Preemployment or vestibule courses for men and women, war workers and veterans, in industries.
30. Continuous training in industry after employment.
31. Liberalization of apprentice training for war veterans providing suitable credit for training and experience along the lines of the trade, and acceleration according to capabilities.
32. Experimental determination of minimum and maximum time required to learn a trade or other occupation.
33. Establishment of apprenticeship ratios by the labor unions and local apprenticeship committees for veterans.
34. Vocational and educational guidance, including testing for all applicants for retraining.
35. Determination of standard cost ranges for instruction, tools, and materials for training.
36. Securing of lists of accredited schools and training facilities.
37. Encouragement of the establishment of training departments in industry.
38. Encouragement of modern methods of instruction; visual aids, job sheets, laboratories, et cetera.
39. Encouragement of vocational education on adult level; subengineering technical training for foremen.
40. Continuation of job instructor training, job relations training, in industry and in Government.
41. Prediction of retraining needs so that educational institutions may prepare their educational services.

Reemployment.

42. United States Employment Service program—setting up of experimental stations in which best methods for veterans and war workers are worked out: Training for counsellors, et cetera.
43. Definition of programs of public and private associations for employment of veterans.
44. Definition of work of Selective Service System veterans' representatives.
45. Occupational analyses from the point of view of showing common or transferrable job elements and skills, and coding of occupations and workers on this basis to facilitate placement.
46. Preparation of charts on occupational trends.
47. Preferential employment for veterans in Government and industry; employment ratios for veterans.
48. Training on the job for disabled veterans in Government work with pay while training.
49. Occupational guidance.
50. Controlled referrals based on occupational information in hands of United States Employment Service.
51. Provision for securing the veteran his old job.
52. Estimated need and plans for public works and national service to take up slack in employment in interim period and afterwards.
53. National service up to 1 year, or other length of time to be determined, for all youth, men and women, including outdoor work, living and training.

Rehabilitation.

54. Physical and mental rehabilitation of veterans while in the Army and Navy hospitals, or afterward with the Veterans' Administration, with full utilization of physical and occupational therapy.
55. Vocational rehabilitation, including advisement and training under the Vocational Rehabilitation Service of the Veterans' Administration, with placement and follow-up.
56. Coordination of all rehabilitation programs, so that continuous service is rendered the individual under military and civilian jurisdiction in guidance and training; transferrable gudance schedules and records.
57. Rehabilitation of disabled war workers through the Rehabilitation Service of the Federal Security Agency.
58. Occupational analysis to determine physical requirements of jobs in preparation for selective placement of handicapped.
59. Establishment of employment ratios for the handicapped in industry, i. e., in the same proportion in industry as they are in the population or by some other measure.
60. Coding system for the purpose of relating certain patterns of disabilies to occupational demands; comparison of systems used in England and other countries.
61. Domiciliary care in veterans' hospitals for seriously disabled veterans.
62. Adjustment of workmen's compensation laws in the various States so that they do not work a hardship on those they aim to protect; Federal funds for extra compensation for second injuries, et cetera.
63. Securing of favorable attitudes of employers and workers toward the handicapped to aid in their employment.
64. Provisions for extra amount of permanency in jobs for the handicapped in view of the fact that the handicapped have difficulty in securing new jobs while as a matter of fact they hold their jobs very well.
64. Social rehabilitation of handicapped, especially the blind, ince the reconstruction of their social and personal habits is basic to vocational rehabilitation.

Resumption of education interrupted by the war.

66. Provision for continuation of educational plans of veterans and young war workers.
67. Determination of conditions under which education will be furnished, including a length of time in relation to the length of service and proved educational achievement of the applicant.

68. Prediction of the amount of higher education needed and in what fields so that the institutions may prepare faculties and materials; poll of Army and Navy to secure intentions in regard to amount of education and subject matter desired, under various conditions: Government paying a certain amount; without Government subsidy, et cetera.
69. Determination of rates to be paid by the Government for tuition.
70. Determination of Government aid for subsistence while receiving education.
71. Revamping of college courses and methods to make them suitable for older and more experienced students; increase of technical education, and education in economic and political problems capitalizing the new knowledge of the world.
72. Advanced standing or credit on length of college courses for war experience, training, and travel.
73. Provision whereby those who can make the best use of education will get the most of it; emphasis upon special consideration for the bright as well as the backward.
74. Information bulletin revised annually listing all the courses of all the higher institutions indexed by course, occupation, and locality.
75. Information bulletin on all vocational education indexed by occupational objective and locality, including all private as well as public institutions.
76. Listing of schools on the recommendation of Governors of States or regional educational agencies as accredited for the education of veterans.

Provision for special groups.

77. Retraining and reemployment for women.
78. Retraining and reemployment plans for professional workers, technical workers, youth, aged, and the disabled.
79. Securing the cooperation of special groups, organizations, manufacturers' associations, trade unions, etc., in educational plans.

Unemployment compensation and assistance.

80. Establishment of a temporary plan for unemployment compensation to carry over the adjustment period between dismissal or discharge and work for veterans, war workers and others not presently covered by unemployment insurance—this plan to run so long as the Congress deems advisable. This plan would involve the Federal supplementing of existing State unemployment systems to the extent necessary.
81. Exploration of the advantages and disadvantages of dismissal pay. The practicability of this is open to serious question.
82. Old-age retirement system can be invoked in case of the superannuated.
85. Cooperation of business organizations, chambers of commerce, etc., in

Stimulation of production for jobs.

84. Government aid in industrial and business expansion.
85. Cooperation of business organizations, Chambers of commerce, etc., in making jobs for demobilized soldiers and war workers.
86. Gearing American production to any plans which may be developed for reconstruction in devastated areas of Europe and Asia.

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The above list of problems is not exhaustive, but is indicative of the types of problems which will have to be solved if the major task is to be accomplished.

PROGRESS TO DATE

It should be borne in mind that the Executive order provides that the functions conferred on the Administration shall be performed through existing Government agencies and officials insofar as is feasible. It is the purpose of the Administration to fully comply with this provision, and accordingly it is anticipated that the organization to be developed will concern itself with basic problems relating to the coordination of functions and programs.

The Administrator has met a number of times with the representatives of the nine agencies making up the Policy Board; namely, the Department of Labor, Federal Security Agency, War Manpower Commission, Selective Service System, Veterans' Administration, Civil Service Commission, War Department, Navy

Department, and the War Production Board, with the view of determining the programs of these agencies as they relate to retraining and reemployment in the interest of an integrated program.

In addition to the organization of the Policy Board an administrative office has been established.

Sufficient time has not yet elapsed for the Retraining and Reemployment Administration to give adequate consideration to the development and formulation of proposals to be presented to Congress for its consideration in conection with its functions. Such proposals as may be indicated will require a more comprehensive study and analysis of what is now being done under existing laws and through existing agencies in the fields of retraining and reemployment and what needs to be done.

It is the purpose of the Administrator to have comprehensive studies made for effecting the coordination of related work being done by the several agencies and establishing such programs for the post-war period as may be necessary to accomplish the objective or providing employment to the millions of workers and soldiers who will be faced with the necessity of seeking peacetime employment. It is believed that plans for the transition from war to peace constitutes part of the war effort.

Soon after the Executive order was issued establishing the Retraining and Reemployment Administration the heads of the Government agencies represented on the Policy Board were requested to designate their respective representatives for membership on that Board. The Board was promptly organized and held its first meeting on February 28, 1944.

The Board has concerned itself with taking inventory of its responsibilities and functions in relation to the Administration and has given detailed consideration to the establishment of local information centers where returning soldiers and war worker might go to ascertain their rights and privileges. The Board has also given consideration to the formulation and release of information in written form to persons being discharged from the armed forces. An appropriate pamphlet is now being prepared.

Further, initial meeting was had by the Administrator with labor represented by Mr. William Green and Mr. Philip Murray. The part labor is to play in the work of the Administration was thoroughly discussed and both representatives asked to name a liaison officer to deal directly with the Retraining and Reemployment Administration on problems as they arose. This request was granted, and Mr. Matthew Woll and Mr. Robert Lamb were named.

Conference was had between the Administrator and Mr. Lamb and Mr. Woll recently, and they are cooperating by writing local organizations of labor, taking up with them a number of problems that will arise in reference to the reinstatement of men and women now in the service of the Army and Navy in employment.

Conference was had with the Manufacturers' Association to obtain information as to what steps they have taken and the cooperation that could be obtained through this organization made up of more than 40,000 manufacturers. They have agreed to obtain information essential in the planning required by the Retraining and Reemployment Administration.

A letter was addressed to all Governors with a view of determining what steps are being taken by the several States dealing with the problems of retraining and reemployment. Excellent responses have so far come in from 27 Governors. These reports are being analyzed, and a summary will be prepared from which prompt information may be obtained as to just what the plans are in each State and how they will fit into the final planning.

Conference was had with Mr. George Romney, managing director of the Automotive Council for War Production, relative to the steps being taken in the planning of the automotive industry. Valuable information will be obtained from this organization relative to reconversion and the problems that might arise relative to reemployment not only of those now in war work, but men and women in the services.

Senator MURRAY. I have prepared some questions here which I think will bring out the facts that we are mostly interested in, and I think that will be sufficient for the purposes of the committee.

First, let me ask you, General, under the Executive order, do you have the responsibility of determining the rate of demobilization for the armed services?

General HINES. Mr. Chairman, I do not have that responsibility. However, the Policy Board has a representative of both the Army and the Navy, and that Board will take up that very question.

The committee may be aware that at one time there was a committee appointed by the President to study post-war demobilization, and at that time we took up the question of demobilization, whether it would be a slow orderly demobilization, or a more rapid demobilization. That problem will come up again before the Policy Board of this new unit.

I might say to the committee that I am a strong advocate of a slow orderly demobilization. I think one of the difficulties that we encountered in the last war was throwing on the communities the additional load of those that left the armed forces at a time when they were going through the period of readjustment.

Now, I should say, however, that I feel confident that the armed services, both War and Navy Departments, will be opposed to any long period, and they have two arguments that should be given consideration.

I advocated that these men be permitted to go home on furlough for 6 months. The only requirement during that 6-month period would be that they apply for employment. At the end of that time, they should be discharged.

Since that time, the Congress has taken steps which have changed, would change my views somewhat in that they have authorized a mustering-out pay, and undoubtedly the bill before the House contains a certain provision for unemployment compensation to the veterans that are unemployed. The picture as it was when we first discussed it with the War and Navy Departments has changed. However, their argument against any prolonged demobilization in the armed forces, it seems to me, should be considered.

First, they feel that the men themselves, and their friends, both in the public and in the Congress, will demand as they did before that they be discharged promptly.

Second, they feel that when they send men on furloughs for any great length of time, that they lose control of the discipline that may be needed in some cases. Something may happen that would be a disgrace to the military service or to the uniform.

Now, both of those arguments can't be readily pushed aside; they should be considered. Then, too, they undoubtedly would say to you that the matter of continuing the payment of these men, and the paper work and the employees necessary to do it, would be quite a factor in those two institutions. Personally, I do not feel that you would have the same problem with the Navy as you would have with the Army. I am hopeful, as many others must be, that our Navy will not demobilize very much. There may be some replacements, but I think I can see a good future use of the very strong Navy, and probably as

strong a Navy as we will have at the end of the war. I know of no better way to insure a proper peace and a proper settlement of some of the problems that will grow out of the war than to be prepared to meet any contingency that should arise. Our Navy can do that.

Senator MURRAY. Certainly, the end of the war in Europe would not have any appreciable effect upon the Navy with regard to the need to keep the sailors and personnel, because of the situation in the Pacific?

General HINES. I feel that it should not, although there is one factor that we must consider, and it has a bearing upon this particular problem. We have, in both the Army and Navy, as you gentlemen know, men who are employers themselves, and their release from the armed services will be a factor and will be helpful in our reemployment set-up.

Now, that is going to bring about a question of how we should demobilize: What will be the method? What will be the first man in and the first man out, and so on? That is a problem which I understand the British have been debating at some length even now while our effort is devoted to conducting the war.

Senator MURRAY. In an address made on April 6, 1944, Major General Hershey, Selective Service Director, made the following statement. I quote:

> The Congress in the Selective Training and Service Act provided that the rate of induction of men into the services must be based upon the ability of the Army and the Navy to absorb these men * * * Demobilization, if we are wise, will follow a similar pattern * * * The numbers discharged in any one area at any one time should be limited and should be based on the capacity of the community to absorb the numbers demobilized.

A previous witness, Dr. Melvin Copeland, director of research at the Harvard School of Business Administration, stated that such a policy would be impossible to administer, since the pressure from the folks back home to have the soldiers and sailors demobilized as quickly as possible would be the deciding factor.

What comment have you to make on this question?

General HINES. Well, General Hershey, of course, is a member of this same conference that I referred to where we discussed that, and I think he was in accord with my suggestion on the slow demobilization, so that accounts for his statement.

I feel that the pattern of mobilizing could not very well be followed, Mr. Chairman. We all know that our men are in all parts of the globe. Transportation is going to be a very important factor. It may be a sufficient factor to accomplish what I am in favor of—a slow, orderly demobilization. However, we have the ledger of the facts that we know in Europe and with rapid transportation, large numbers could be brought back as we did before.

In the last war, we brought men back from Europe faster than we sent them over; there were more men per month that we brought back.

No; the regulation of demobilization must necessarily be coordinated, and I consider that I am fortunate in having on these boards men of the caliber that has been designated. For instance, the Navy is represented on the Board, the Policy Board, by Vice Admiral Jacobs, who is an experienced man in personnel matters, and realizes the problem. General Thompkins, of the General Staff of the War Department, heads the War Department's Demobilization Unit. Those men, with the others on the Policy Board, I feel confident, would be able to offer a solution that will be workable; and it will be our purpose to take that up very soon.

The Board has at the present time before it the matter of cut-backs on contracts which, in some instances, has resulted in unemployment temporarily, but not serious; but as we all know, a cut-back can become pretty near to a close-down in some instances, and we should devote our efforts to finding out how well we can handle those which may lead to the proper solution of the larger problem of demobilization that we have to take up at this time.

Senator MURRAY. Of course, it would be desirable, if it were possible, to have demobilization geared to the ability of industry to employ——

General HINES. To absorb, yes; I agree with you, Mr. Chairman.

Senator MURRAY. But that would be a very difficult——

General HINES. I think we should aim at that; and how close we can come to it will probably involve a number of factors.

Mr. GROSS. General Hines, that policy would assume that industry be ready to provide jobs for the workers?

General HINES. Yes.

Mr. GROSS. To the veterans?

General HINES. Yes. I am not very much concerned with the veteran. Now, of course, you are familiar with the proposition that is already on the statute books under the Selective Service Act—a man coming out of the services is supposed to return to his draft board. On that board, they have an employment representative. It is his business to obtain for the man his old job, if it is still available; if not, then to endeavor to get him a new one. That is working in some respects, but not 100 percent. In other words, the men that have so far been discharged haven't all gone back to their original draft boards. Some of them have communicated with them; some of them have reported to other draft boards. We are endeavoring to do this at the present time, and if it works out as we hope it will, first, as these men are discharged by the Army and Navy, there is placed into their hands a pamphlet, a booklet, which outlines the benefits they are entitled to. But better than that, it will outline where they are to go for information. We are hopeful that that will avoid what has taken place so far in the demobilization that so far has taken place of a veteran going to one place, and then being told he has to go somewhere else.

In addition to the Army and Navy coming into the hands of the men before they are discharged, the Policy Board has approved a policy setting up in all communities extending out to the small ones, an information center. Now, that center isn't a combination of these agencies I have referred to—it will become known to everyone in the community that that is the place for the veteran to go to get accurate information.

Now, at those points, this booklet and information also will be made available. I have confidence that the combination of the agencies charged with establishing those and the utilization of many such agencies already set up by the States—and I should say to you that one of the first steps that I took was to write a letter to every Governor, and I have had remarkable responses. I told him the problem that had been given to me. I felt confident that they too had been giving some thought to this, and many States have. Many States have progressed further in their study of the problem than the Federal Government at the present time. But they all indicated a strong desire to cooperate, and work with the Federal Government. In other words, they say, "Give us the pattern; tell us what is best to do, and we will help you in every way we can." The result has been that in numerous communities and States, they have already set up information centers that are probably more extensive and more valuable than those that we are contemplating ourselves.

Senator MURRAY. Do you think there is any danger of going too far in preferential post-war treatment for veterans as compared to war workers?

General HINES. Well, Mr. Chairman, I have very definite views on that, and I think I know the veteran—the two groups of veterans. The disabled veteran will be accorded special treatment by the laws of Congress as already enacted. We should do everything possible for him that we can for his rehabilitation to enter employment again. That should be undertaken early. We should again find employment for him. He has a preference under the Federal laws and under most of the State laws, so he will get preferential treatment.

But for the larger group of able-bodied veterans, when they go back to their own communities, I think I can feel a sense of feeling on their part that they will again want to become citizens of that community; that they will not want to be taken by the hand and led around and told what they have to do, where they have to go, but they will look for opportunities of gainful employment. Now, their future is interwoven with the welfare of that community, and I am sure you will find they will be perfectly satisfied in unemployment compensation and whatever benefits the Congress deems wise to give them, to go along with the rest of our citizens and neighbors in their own community.

Now, I may be wrong in that, but that is my feeling at the present time.

Senator MURRAY. Do you think that there should be a congressional declaration of policy on behalf of equal treatment for demobilized soldiers and sailors, and demobilized war workers?

General HINES. I think after due consideration by this committee and the Congress, that it would be helpful, and I would hope that we could get some indication from the servicemen themselves on their feeling in that respect because it is going to have a very important bearing on the future; I am sure of that.

Suppose we took the other side of it and we attempted to set up a special treatment. Now, I am speaking of the able-bodied veteran, not the disabled. And we are going to treat him—he is going to get more unemployment compensation over a longer period than the worker. I have a feeling that it would in the long run work to his detriment; that he would build up in that community a certain resistance that would not be helpful to him or helpful to the community.

Now, an announcement of policy on what is done when you reach the point of solving that problem, I think, would be helpful; it would cause the people, I think, to understand the reasons that Congress acted as they did in the matter.

Senator MURRAY. Would you submit to the committee, in your own language, a tentative draft of a policy statement of this kind?

General HINES. I should be glad to.

Senator MURRAY. We should be glad to have you do that at your leisure.

Is there a need for more legislation in the field of unemployment compensation?

General HINES. I feel there is, Mr. Chairman.

Senator MURRAY. What kind of legislation do you favor?

General HINES. I think we should approach the problem carefully, and make sure—I am not an expert on unemployment compensation. Federal Security Agency—and I did suggest to the Committee that the head of the Security Board, Mr. Altmeyer, be called, because his views are based upon long experience. I have been only on the outskirts of the unemployment compensation up to this time, but so far, in studying the problem, I have these views, and I hope that they will meet with the approval of the head of the demobilization unit in which I am a part.

We know that there will be a definite period, I am not sure that I am prepared, or anyone else is prepared at this time to say how long the readjustment period should be made. But as a matter of approaching the problem, suppose we agreed that it would take 18 months. I feel that during that period of 18 months there should be a form of unemployment compensation.

If you leave it to the States under the present law as they are now set up, there is a great lack of uniformity. I doubt if all the States would be prepared to take in all that you might put in that period because there would be other than those that are covered now, groups that have never had any coverage, which would include probably veterans as well as war workers. So I have this suggestion to make: First, adopt a period of what we will call the period of reconversion. During that period, all unemployed workers, veterans, and even the groups that are not covered, be allowed a certain amount of unemployment compensation.

Where the worker or veteran, and there will be some veterans that will be covered when they come home, because my information leads me to believe that some 46 States have taken action to freeze the credit

of the men who are now in the service. Whether those men are in the same States or will go back to where that is frozen, I don't know; and Mr. Altmeyer would probably be a better witness, but we do know that there are many groups not covered that will be unemployed temporarily. For instance, one of the groups that has undoubtedly contributed greatly to the war effort—has been uncovered—agriculture. Regarding Government employees—some probably are covered, but, as I understand, practically none is covered insofar as unemployment compensation goes. And there are other groups which arrive at a minimum amount in order to avoid inequalities of the States.

I think the World War Veterans' Committee yesterday, in bringing out the Legion bill, arrived at an amount for the sake of uniformity of $20 per week. That may be too high; that is higher than the average of all the States at this time. Let the States pay the unemployment compensation. To set up a duplicate machinery for such purpose, in my judgment, would not be advisable; the administrative costs would be high, but then have the Government reimburse the State funds to the extent of the payments they have made at the requisite number of weeks unemployed, and that is fixed generally, I think, at 26 weeks in the given time stated. Let the Government reimburse the State funds for those uncovered groups that have no credit in the States. Let that be for a definite period at a definite minimum amount and over a definite length of time.

I do feel, Mr. Chairman, that some investigation should be made to determine whether, under existing laws, there is a tendency on the part of some people who frequently work harder to keep out of obtaining a job than getting one, than working at it, are not abusing the existing laws by working so many days a week and no more, and then being eligible for unemployment compensation. How extensive that is I don't know, but I have a kind of feeling that it is a subject that ought to be canvassed a little to see whether there is any abuse. The cost is going to be great enough, and we should avoid any abuses that can be eliminated.

Senator MURRAY. Do you think there is a need of legislation for the education and retraining of demobilized soldiers and workers?

General HINES. Of course, at the present time, we will take, first, the veteran. The disabled veteran is eligible for training under the Veterans' Administration at the present time if he has lost his ability to carry on in gainful employment by the disability caused by the war. Of if he comes to us and did not have any vocation when he entered the service, but he is in need of training to enable him to get ability to carry on, he can be trained.

In the Federal Security Agency you have another rehabilitation set-up where their attention now, I think, is devoted primarily to training for war industry, people that are untrained. They also rehabilitate the nonservice veteran as well as worker who is disabled in industry.

This Executive order contemplates, if it remains in effect, so long as the President has the power of maintaining it, that there will be retraining to fit employees into jobs. Undoubtedly, that is the ultimate objective, if I understand the order. I would say that it would be an excellent thing for the Congress to make sure that the policy which is now divided between two Government agencies at present, and there might be some question raised at a later date as to whether it is contemplated that when we have jobs and we haven't the character of people that will fit in those jobs, we undertake to give them some kind of course that will enable them to carry on.

Now, we are going to find, Mr. Chairman, as a result of what has happened to the men that have gone into the service, many men who went into the service with a certain character of employment when they come out they will not be satisfied with that job. They have been trained, many of them have been made excellent mechanics, particularly those that have had much to do with the mechanized part of the Army, and the Army and Navy together have had excellent schools. So many of those men are going to come out well qualified for better jobs than they had when they went in, and, in my judgment, we should encourage and help them to get better jobs.

Now, that may throw our employment schedule out of gear somewhat. We may find we can have more mechanics and more men in certain lines than we had before the war. Now, I have a feeling that if we are going to be a great nation, as we claim, and we have been able to do this job of mobilization, we ought to be prepared to find the way to keep all of our people gainfully employed. Unless we can do that, we are not solving the problem, so that retraining will, I think, take place in two categories.

Industry themselves are prepared to take part in this. Most of the large corporations have asked how they can get in touch with their old employees; they want them back. They have stated at the same time that many of them will have to be given refresher courses.

You probably noticed that Mr. Ford, in his large industry, issued a statement, without any prompting on anybody's part so far as I know, and it has been said by other corporations, probably, before and since, at least, that he wants all of his men back; he will take care of retraining and fitting them into the jobs.

Now, I think that is the attitude on the part of industry that we should encourage. It will simplify the Government's job in doing it. I do feel to do the job completely, we should have authority to retrain, if that means the only way we can reemploy.

Senator MURRAY. During the war, workers have migrated to points distant from their homes. What have you to say as to the need of legislation providing for transportation to take those workers back to their homes—to their original homes?

General HINES. Well, Mr. Chairman, that is going to be a problem that is difficult to answer. I have given some consideration to it; I have had no opportunity of discussing it with the Board. It will be a debatable issue when it appears on the floors of Congress, I am sure. The

charge will be made that these workers left of their own accord. Some of them did, but some of them left, I think, on invitation, because they went where it was necessary to carry on. As an example, I would like to cite to the Committee, to show that the problem is being considered by others beside the Congress and myself. In a letter from the Governor of the State of Washington, he wrote me a splendid letter, and he finally wound up and said, "Well, General, the State of Washington has 45 percent more population today than it had in 1940. The problem is going to be: What are we going to do with that additional 45 percent?" And that he barely had enough employment in that State to take care of the problem of employment in 1940.

Now, the problem is not easy of solution. In other words, there will be some of the people that have migrated; those that will want to stay. There will be some that will want to go back, the distances will be short; but if it works out anything like the problem we had with the bonus marchers who arrived in Washington, a lot of them will probably want to go the greatest distance that they can travel so that I wouldn't want to say at this hearing, Mr. Chairman, that I could recommend a policy on that at this time. I would like to discuss it with the Board. It is a problem that will have to be met. Now, to what extent he Federal Governmen will have to get into it, I am not prepared to say at this time. It is the hardest of all the problems connected with this dislocation of employment.

Senator MURRAY. Some of the industrial centers that have become overcrowded as a result of the war effort, I should think, would be very anxious to get rid of the surplus population and would be willing to furnish transportation for some of them in order to avoid the burden that will be upon them.

General HINES. I have no doubt that we will find, just as the Governor of the State of Washington said: Think of it right now; I may not make the bull's-eye on it, but I am going to attempt to find out the workers in some of these communities where they have industries and nothing else, no reemployment in some places where we set up plants. What are their plans? If you can get that pulse, I think we should get it.

Now, we must be considerate in all these problems, if we are going to solve this thing, and I would not want to say no, that they got there of their own accord and we should not help them to get back; it may be to the interest of the country to get them back. If it is, we should do it.

Senator MURRAY. Of course, it would not be a tremendous problem with reference to single men who have been employed at good wages during the war effort, but in cases of married men with families, it might present a problem that should have consideration.

General HINES. I attempted, in discussing some of the problems with labor, to get an estimate as to whether the war worker had accumulated any great amount of surplus as a result of high wages and continuous employment. It was the consensus of opinion at that time, and it was rather an answer off the record, it wasn't with any study or any consultation with the field at all, I was advised that the war worker generally would have little surplus; that whatever surplus they had would probably be found in War bonds, or they had utilized it to reduce indebtedness that existed before, to reduce the mortgage, and that the liquid cash available for any undertaking, like moving from one place to the other, would not be very much.

There is evidence of some of the men who have come out of the service that they have probably made greater savings than the war worker at home. That would be natural, particularly if they had been in a long time in remote places.

Now, of course, it would be unfortunate if we should adopt a policy that would require the sale of Government bonds to do something. In other words, the man who is employed will spend, whereas when he gets out of employment he tightens and hangs on to what little cash he has and what bonds he has.

Now, the Federal Government, if we are to be successful, must keep up production; we must keep up this large national income for many good reasons. We have got a terrific tax load on our hands which we will want to do something about liquidating, and if we permit our national income to go down, then it is going to be more difficult to meet the problem, and that will produce more unemployment, and more unemployment, more tightening up, and the cycle will not be going in the right direction.

Senator MURRAY. General, we have pending before the committee, several bills, one, S. 1730, and another, S. 1823, dealing with the over-all setting up of an over-all agency to handle the period of reconversion; and I should like to ask you if you have any comments to make on either of those bills?

General HINES. I haven't attempted, Mr. Chairman, to analyze the bills as to their sufficiency. I took the problem as presented to me to be one that you wished advice on the retaining and the reemployment section. Iwill be glad to go over them.

I do feel that it would be helpful, although I should not be speaking for Justice Byrnes, who is the head of the whole unit, but as I stated in the opening statement, those best able to handle demobilization are certainly those that helped to mobilize. In other words, it is the reverse of the problem, and they have certain information that is valuable. I should feel in the part of the job assigned to me on much firmer ground with legislation than without it, and I think, generally, that rule is a good rule.

Now, I am not sure what Justice Byrnes' views would be, but I certainly could not anticipate that there would be objection to the Congress outlining a policy and authorizing the establishment of an agency of this kind.

At the present time, the whole effort has been not to duplicate existing Government agencies, but to coordinate them, and to plan. I am not sure whether in the final solution of the problem but what it may be necessary to go further with some of those problems, but I think before we do that we should analyze them a little bit better, and whatever legislation is enacted, I would suggest it be in general terms that

would enable a study of them, with the thought that periodically we would report back to the committees of Congress with such changes as may be necessary to do the job.

Mr. KEFAUVER. I was going to ask, General Hines, the question of contract-termination legislation, which is well on its way toward passage in Congress, and you have enumerated, I take it, that that should be passed as quickly as possible because it affects——

General HINES (interposing). I have a very strong feeling, Senator, that——.

Mr. KEFAUVER (interposing). I am just a Congressman.

General HINES. All right; well, you are in the right place. I feel that there should be some definite authority to expedite the prompt settlement of contracts so that the Government can get clear of the plants that are engaged in war work.

Mr. KEFAUVER. Then there are a great many human aspects of demobilization which you have mentioned, and which all of us are interested in. Do you feel as quick as we can get contract-termination legislation, that these other matters should be taken up at this session of Congress?

General HINES. I do, if you have time. But there is one advantage of the operations that we are now carrying on under Executive order to give us an opportunity, probably, of being in a position to give the Congress better advice than if we had nothing until you pass legislation. But it is a problem in which, certainly, the Congress should take part.

Senator MURRAY. Any other questions?

Mr. GWYNNE. General, I presume after the war it will be necessary to keep a substantial force in Europe and other places, and that will tend to slow down demobilization to some extent, would it not?

General HINES. It would; and the remote places that part of our force is in will tend to slow it down. Our transportation will probably be in as good a shape as we have ever had it, but, at the same time, the distances are great, and certainly, not only the distances, but conditions may be existent in certain parts that will be such that we will want to——

Mr. GWYNNE. I am also wondering just how many of these young men who interrupted a college course to go into the Army or Navy will be able to go back and finish their course. Was it not the experience that many of the boys never did go back and complete college work in the last war?

General HINES. Yes. Much is going to depend on the age of the man when he comes out, what the opportunities are for him to get into gainful employment. I favor the educational provision in the Legion bill for two reasons: The President had said, when we lowered the draft age, to the Congress that we would repair whatever damage was done to the young man who was in school and pulled out. And while this bill goes further than that, it gives them all an opportunity to go for 1 year, and longer if they make good, I feel that it provides

an excellent cushion for the reemployment proposition for probably 800,000 to a million of the younger part of the armed forces. It is rather difficult to say what these men will do when they come back.

The Veterans' Administration has reemployed more than a thousand veterans of World War II up to date. I have talked to a number of them. We have a policy of employing as many veterans as we can, and wherever we have places for them. They don't seem to be decided, as a matter of fact, on getting back into schools; as far as I can tell, it is on getting a gainful job. Now, that is due in some cases to a change of, say, 2 years in a man's age. In other words, when he comes out, he will have had 2 years of service—a number of them will have had. But in rehabilitation, for instance, we have found approximately 8,000 eligible to be trained that have come out with service-connected disability. When we send them applications to apply for training, they haven't filed anywhere near that number. We have some 1,600 in vocational rehabilitation. That is due, undoubtedly, to one thing: That they are able to get employment at much higher rates than we pay as training pay during the period and, therefore, they are taking advantage of that, and many of them will undoubtedly come back to us for vocational training.

Senator MURRAY. General, many of us in Congress recognize these two main problems connected with reconversion as very serious departments and requiring legislation as promptly as possible. Could you within the next few weeks give us any recommendations that you can think of in connection with these problems?

General HINES. Yes; I will be glad to.

Senator MURRAY. We will be glad to have you do that as quickly as possible so that we may proceed with——

General HINES. (interposing). I would like to confer with Justice Byrnes, of course, on them.

Senator MURRAY. Yes.

General HINES. Where I will have to get a clearance, and also I hope to have the opportunity of discussing them with the President because a clearance on legislation of that character has to go through the Budget and be cleared.

Senator MURRAY. Yes.

General HINES. But I do feel that we should undertake to tell you early what steps should be taken on two particular problems that have been mentioned here today, unemployment compensation, because they may occur even with cut-backs, to some extent.

Senator MURRAY. Yes.

General HINES. And on the question of what we should do on reallocation of the labor that has been moved and the migration which has been very great, I was rather surprised to find it runs to millions rather than into hundreds of thousands. I will be glad to do that.

Senator MURRAY. Well, thank you for your statement, General.

Mr. KEFAUVER. Mr. Chairman, may I ask one further question: General, have you discussed this provision—after the opening com-

ment, I don't want you to repeat, but did I understand you to say that under Executive Order 9427, which was issued pursuant to the authority in the First War Powers Act, there was a division of activity in the Retraining and Reemployment Administration in connection with carrying out that program?

General HINES. No. The problem of retraining at this time is in two Government agencies. The Veterans' Administration has the training and rehabilitation of veterans with service-connected disability. The Rehabilitation Division of the Federal Security Agency has retraining or training for war jobs of war workers and able-bodied veterans.

Mr. KEFAUVER. Is it your recommendation that those two programs be included under the jurisdiction of one agency?

General HINES. No, I would not recommend that, Congressman. I can see with the proper overhead—over-all organization, that coordination can be kept in such a way as to avoid conflict or any duplication of effort. If they should attempt to put all veterans in one place, then certainly it should go with the other rehabilitation in the Veterans' Adminisration. But as long as the able-bodied veteran is to take his place with the war worker or other worker, then they have got it in the right place right now.

Mr. KEFAUVER. I believe you said that you would feel better about the set-up if specific legislation were passed to set up the Office of Retraining and Reemployment Administration, rather than operating under an Executive order?

General HINES. Well, we all know that the Executive orders have limited life. Legislation by Congress is always a safer procedure for accounting offices. As it is now, we go to the Congress for funds, we have to under this, but really with no authorization except the Executive order; while, otherwise, we would have definite legislation with certain limitations.

Mr. KEFAUVER. And it is a matter of policy which should be determined by the Congress, don't you think, General?

General HINES. I do. Many of these problems will require the determination by Congress.

Mr. KEFAUVER. I was interested in your statement about the cooperation you were receiving from the various States. I believe you say here in your prepared statement that you received replies from 27 Governors which were excellent. How are the States fitting into this program?

General HINES. Well, they are fitting in this way: For instance, they have already taken steps to make sure that the returning veterans are given direct information, and they are assisting them wherever they can in employment. They haven't had the necessity of doing much for the war workers; that is because employment is generally good in all of the States, except in one or two spots where temporarily people are out of employment. But they are excellent because they are

planning on what to do when the war is over. That is, they have programs of construction of their own, not made work, but actually work that should be done. Some of it may involve the Federal Works Agency, but most of it that they are planning are things that could not be done during the war period—they could not get materials or they could not get the help. For instance, the State of Nevada is probably one of the smallest States in population, and has laid out a 7-year program of post-war planning and post-war work, and very much in detail; they have the projects itemized; they have estimates of cost, and so on.

Now, other States are doing the same sort of thing. I am trying to find out, really, what the Federal Government has planned so far in trying to get whatever projects they think are worth while so that—to see how well the State patterns would fit together. One of the problems that we will have is the joint operation, and we should coordinate with the States to avoid expending too much energy in the way of duplicating our effort, which would be a great mistake.

Mr. KEFAUVER. It seems to me it would be very important that the Federal Administration work in conjunction with the appropriate committee or group of States so that you don't duplicate your efforts, and you can work together in the matter.

General HINES. Yes. That will be my purpose, so far as I can regulate it.

Mr. KEFAUVER. That is all, Mr. Chairman.

Senator MURRAY. Thank you, General Hines. That will conclude the hearing this morning.

We will meet Friday morning at 10:30, at which time William L. Clayton, Administrator of the Surplus War Property Administration, and M. P. Moe, of the Montana Education Association, will be with us.

(Whereupon, the meeting was adjourned at 11:50 a. m. to be resumed at 10:30 a. m. Friday, May 5, 1944.)

(Chairman Murray directed the inclusion in the record of the following material:)

STATEMENT OF REPRESENTATIVE JERRY VOORHIS, OF CALIFORNIA

I appreciate very much the opportunity to present to your committee certain data regarding the problems of small business in southern California. I would like to include with my testimony the attached letter from E. F. Scattergood, advisory engineer of the department of water and power, city of Los Angeles, Calif., and also a copy of memorandum to Mr. Scattergood from O. K. Buck. I wish to add that I share the views of both of these gentlemen on this matter and concur with the content of this letter and memorandum. They have by no means overstated the problem. And I believe their suggestions for constructive action are along exactly right lines.

DEPARTMENT OF WATER AND POWER,
Los Angeles, May 4, 1944.

Congressman JERRY VOORHIS,
House Office Building, Washington, D. C.

DEAR CONGRESSMAN VOORHIS: The directives of the War Production Board (*a*) prohibiting letting of contracts in A–1 labor areas; and (*b*) prohibiting production of civilian goods other than those formerly produced by any industrial plant, both require careful study and administration by the boards responsible in any area or region; need to be made more flexible in order that discretion may be used by such responsible boards; and there is need that such responsible boards are instructed to make such studies in order that the directives may be intelligently and advantageously administered.

The Los Angeles area, declared an A–1 area, is far-flung in extent and covers a wide variation of conditions. In some sections like the harbor district, where shipbuilding is going on, there is great difficulty in getting sufficient employees due primarily to the lack of adequate housing and of transportation facilities. Transportation is a poor solution because the distances are so great, but is helpful. There are other areas, covering a large part of the city or metropolitan area within and without the city, where applications are made for employment. This is true with respect to the greater part of our 3,500 small war plants, one-half within the city and one-half in the area about the city.

Clearly there is need for increased subcontracting with respect to shipbuilding and it is just possible that a change-over to two 10-hour shifts, thus decreasing housing demands by 20 to 25 percent, coupled with even greater subcontracting, would keep the small war plants busy and at the same time avoid slowing down shipbuilding, or even boost it.

This leads to the particular occasion of our efforts in favor of our small war plants in Los Angeles. There are many of them, and increasing rapidly, beginning to suffer, some of them seriously, for want of work because of the directive prohibiting contracts being let. This directive seems to result in some of the procurement agents not attempting to let contracts there, though others do.

The area production urgency committee, from which procurement agents must secure an O. K. before letting a contract in such areas, as above stated, should both have authority and be instructed to make studies of the conditions throughout such areas and of individual plants with a view to permitting, and in fact encouraging, direct contracts or subcontracts which will keep those plants reasonably busy, in order to preserve their productiveness available for war production and for utilization of what will be otherwise idle labor during the readjustment period.

The attached 2½-page statement handed me by an engineer of our business agent's division, Mr. Buck, sets out respects in which these two directives may be more objectionable than beneficial, if not properly administered, and makes suggestions as to possible modifications in the directives and procedure.

I feel that it would be very desirable if you would call this matter, as I have endeavored to present it to you, together with the statement by Mr. Buck, to the attention of Senator Murray's committee, which it is our understanding is holding hearings in the interest of small industry.

Also it would be greatly helpful to the Los Angeles area if you, together with Congressman Ford and Congressman Sheppard, could together plan procedure which might lead to the War Production Board altering the two directives, as may be necessary, that there may be greater flexibility and more effective administration of them.

With respect to the directive relating to civilian production, it may be pointed out that in the Los Angeles area, within and without the city, there are many of the small war plants which are new and, therefore, produced nothing previously; there are many changes in the economies affecting production of civilian goods on account of the recently appearing competition of the Northwest and the East, which would make it necessary to shift to other lines of production in order to carry on successfully; and lastly, there will be demands for durable goods which have never been manufactured before which may be successfully manufactured in Los Angeles. The net result is that with such a directive the possibilities of civilian production now or during the readjustment period would be reduced to perhaps something of the magnitude of one-half of what might otherwise be realized.

Yours very sincerely,

E. F. SCATTERGOOD,
Advisory Engineer.

MEMORANDUM TO E. F. SCATTERGOOD

(From O. K. Buck, April 27, 1944)

With the cut-backs in contracts for the production of war materials due to a shift in emphasis of the war activity, and the completion by production plants of present orders on hand, a situation has developed which is causing distress among war plants in the Los Angeles area and one which very obviously is becoming more intensely acute each day. This situation has been brought to a critical point by the following official actions:

1. Limitation of the use of materials for the production of civilian goods.
2. Placing Los Angeles in a No. 1 critical labor area.
3. The restrictions with respect to procurement as outlined in the War Production Board letter of October 5, directed to all procurement officers.

The purpose, of course, of the last two actions is to bring into balance labor and production. If carried beyond the necessary point or if improperly administered, however, the results may be contrary to the purpose. The following effects have already been noticeable and will become a serious problem to remedy:

(*a*) Slow down of employees because of fear of losing their jobs.
(*b*) Loss of use of production facilities.
(*c*) Disintegration of production organizations and facilities.
(*d*) Loss of technical staffs.
(*e*) Unemployment among those unsuited for heavy industry labor.
(*f*) Shift of labor to other areas.
(*g*) Economic distress of firms and consequent removal from availability for war production uses, and from war readjustments.

The statements enclosed herewith were requested in written form for the purpose of demonstrating specific instances of derangement in full utilization of our industrial processes. For your consideration we are placing before you definite recommendations which would tend toward more harmonious balance of labor production and national need:

I. Relaxing materials restrictions to permit use for limited civilian production, giving consideration to the market needs of the local area, the need to keep production organizations alive, the utilization of vital production facilities, and the saving on transportation demands. It is my understanding that much consideration has already been given to this point and according to newspaper reports an order has already been issued and withdrawn. It is my impression that the time is rapidly nearing when such steps should be taken in order to insure more effective conversion to peacetime production at the close of hostilities.

II. Specific classification by the War Manpower Commission of the type of labor which is needed in critical areas. In the Los Angeles area the heaviest demand is for shipyard workers. The type of labor employed in most of the smaller plants in Los Aangeles, wherein are used the physically handicapped, older men and women, is not suitable for employment on ship construction. Curtailment of orders in these plants, therefore, does little good toward easing the labor market for the shipyards, and for the further reason that housing conditions in the harbor area make the retention of labor difficult.

III. Modification of or official interpretation of the October 5 procurement letter so that consideration can be given those factors outlined under recommendation I, as well as giving consideration to delivery schedules. The interpretation

which most procurement officers have placed on the policy outlined in that letter of October 5 is that if contracts can be let in other areas that this must be done, even though many individual plants in other areas, where the overall labor situation may be less critical, cannot meet delivery schedules and much cross hauling by means of our already overloaded transportation system is necessitated. The procedure followed by many procurement officers to determine whether the orders can be filled in other labor areas is to avoid inviting bids from plants within the areas. This in effect places a quarantine on the critical labor area.

IV. Encouragement of more extensive subcontracting in the local area and the awarding of contracts direct to smaller firms. The need for labor in Los Angeles is more extensive in the larger plants, particularly in shipbuilding, as previously noted, and the smaller plants, because of better control, supervision, and direction of their manpower, have had little labor difficulty.

V. Reconsideration of the policy established by the War Production Board that aid cannot be given those plants engaging in the manufacture of a product which is other than that manufactured before the war. The influx of workers into the Los Angeles area, principally because of the shipbuilding and aircraft plants located there, has been considerable, particularly in view of the fact that Los Angeles was not a heavy industrial area. The increased population must be taken care of post-war in the smaller plants which constitute the most or our industrial activity. Many new smaller plants were established as feeder plants to the larger industries. These have been equipped with machine tools and other production facilities which will enable them to produce civilian products much needed in the west-coast market.

If the population is to be kept employed, it is definitely necessary that these smaller plants in that area be given all the encouragement which our Federal agencies are able to provide. If this is not done, then a serious unemployment and economic distress situation will result.

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Columbia University

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contact Termination")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1730

A BILL TO CREATE AN OFFICE OF DEMOBILIZATION, ESTABLISH GENERAL POLICIES FOR THE OPERATION OF THAT OFFICE, PROVIDE FOR THE SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS, PROVIDE FOR THE DISPOSAL OF SURPLUS GOVERNMENT PROPERTY, AND FOR OTHER PURPOSES

S. 1823

A BILL TO ESTABLISH AN OFFICE OF WAR MOBILIZATION AND ADJUSTMENT

PART 5

MAY 5, 1944

Printed for the use of the Committee on Military Affairs

UNITED STATES
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WASHINGTON : 1944

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

FRIDAY, MAY 5, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE
OF THE COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to recess, at 10:35 a. m. in room 318, Senate Office Building, Senator James E. Murray (chairman) presiding.

Present: Senator Murray (chairman) and Representatives Kefauver and Gwynne, members, Committee on the Judiciary of the House of Representatives.

Also present: Kurt Borchardt, counsel to the subcommittee.

Senator MURRAY. The hearing will come to order.

I have an opening statement:

Yesterday afternoon, by unanimous vote, the Senate approved and sent to the House of Representatives the contract termination bill which Senator George and I have been working on for almost a year.

In passing this bill as a separate measure, however, the Senate stands pledged to legislation at this session of Congress on the broader aspects of post-war adjustment. Perhaps the most important of these other subjects is the post-war utilization and disposition of Government-owned war property. The handling of such property can have a profound effect on the level of post-war improvement, on the concentration of economic power, and upon our relations with other nations. The country is looking to Congress for decisive legislative action on this subject without any more delay. The Baruch-Hancock report of February 15 recommends that the Surplus Administrator report to Congress as soon as possible on legislation needed for surplus Government property.

Today we have the privilege of receiving the recommendations of Mr. Clayton, who was appointed Surplus Property Administrator shortly after the Baruch-Hancock report. While I understand Mr. Clayton is not submitting specific recommendations this morning, I hope that such recommendations can be offered within the next 2 weeks at the latest.

We shall also hear from M. P. Moe, on behalf of the National Education Association, who will testify on the board's use of Government-owned property of the American educational institutions.

Mr. Clayton will be the first witness, if Mr. Clayton will come forward, please.

Before starting the testimony, I wish to insert in the record a letter from the American Farm Bureau Federation to Hon. Scott W. Lucas in reference to Senate bill 1794 and House Resolution 4457.

(The letter referred to by Senator Murray is as follows:)

AMERICAN FARM BUREAU FEDERATION,
Washington, D. C., May 4, 1944.

Re S. 1794 and H. R. 4457

Hon. SCOTT W. LUCAS,
United States Senator, Washington, D. C.

DEAR SENATOR LUCAS: It is our best information that since January 1, 1939, approximately 50,000 farm families have been displaced from their homes in the acquisition of their farm lands for war purposes. It is our further best information that possibly 3,000,000 acres of land so purchased by the Government for war purposes should be considered as arable for farm use after the war. There is probably an equal amount of submarginal lands that probably in the future should be devoted to nonfarm use.

The American Farm Bureau Federation is interested in the approximate 3,000,000 acres of arable farm land that can be used for farm purposes after the war. The board of directors of the American Farm Bureau Federation at its regular meeting in Chicago on March 3, 1944, stated its position in a resolution, which reads as follows:

"That the officers and the Washington office be requested at an early date to have prepared and introduced into Congress legislation having for its purpose the requirement upon Government to offer, just as soon as war conditions will permit, all farm land taken over during this war, returned to its original owner, at the price paid for the land adjusted to cover any damage—that if not purchased by such former owner within a reasonable time that such land be offered at public sale, with preference to veterans, after wide advertisement, to the highest bidder and in offering such land in public sale and in determination of acreage to be offered, that due consideration be given to the peculiar requirements in various sections of the country as to what constitutes desirable units of land operated."

We are not advised, of course, as to what part of these possible arable farm acres can be disposed of by the Federal Government at the present time. Within a reasonable time after the Army and Navy may determine that they have no further need for such possible arable farm land, disposal of same should be made by the Federal Government and under a practicable formula laid down by the Congress. The dominant reasons for these conclusions are as follows:

1. Persons dispossessed of their farm homes, even though they have been compensated therefor, should have an opportunity, on a reasonable basis, to repossess their former farm lands after, of course, the need for public use is past.

2. The farming community from which such farm land was taken is entitled to have its community restored to the fullest extent possible so that the character of the community will not be permanently destroyed or its social order radically changed.

3. Local taxing districts, from which such arable farm land was taken, are entitled to the same being restored to private hands so that the tax systems within such taxing districts will not remain disrupted for too long a period.

4. The restoration of such lands for arable use will assist in the production problems of agriculture.

It seems to us that the bill introduced by you in the Senate, S. 1794, and its companion bill in the House, substantially conforms to the action of the board of American Farm Bureau Federation as set forth in the foregoing resolution. The American Farm Bureau Federation therefore heartily endorses S. 1794 and H. R. 4457 with the following reservations:

1. The last line of section 1 reads as follows: "In the event the right to purchase such land under this act is not exercised, such land is to be disposed of as otherwise provided by law." We assume that such land shall be offered for sale in public sale after the previous owner shall have had the right to exercise his option. If this assumption is not correct, this part of section 1 should be amended accordingly.

2. Section 3 provides that the President shall have the right to designate such departments or agencies of Government as he may deem appropriate, for the administration of such sales of arable farm lands. It will be noted from reading the resolution that the sales of such land at public sale, after the previous owner has opportunity to exercise his option, shall be in units as the respective section shall peculiarly require. It should not be offered in a way that it would permit corporation farming. The act should be amended to require that sales of arable farm lands to persons other than the original owner, should be restricted to persons engaged in agriculture, but corporations should be excluded from purchasing such lands. The act should further require that due consideration be given to the requirements in various sections of the country as to what constitutes desirable units of land operated.

It is appreciated that after the land has been purchased for the Army or Navy that certain degrees of improvements have been placed upon the land, that in some cases improvements have been made covering several farms, which improvements and the land upon which they are located, might serve the public more fully by maintaining such improvements for industrial purposes. In such cases, of course, the Government should not be required to break up such land, that is reasonably connected with such improvement, into farm units.

It is also recognized that certain of the lands that have been purchased for Army and Navy use have had improvements placed thereon and that such improvements have been used and operated by war industries with options to purchasers. In such cases, of course, if such options were exercised Congress, it appears to the American Farm Bureau Federation, should not direct that the contract obligation be voided.

With the foregoing reservations the American Farm Bureau Federation endorses and, with the amendments as defined in the reservations, will support S. 1794 and H. R. 4457.

Very truly yours,

EDW. A. O'NEAL, *President.*

Senator MURRAY. Mr. Clayton?

Mr. CLAYTON. Coming, Mr. Chairman.

Senator MURRAY. We are very glad to have you here this morning Mr. Clayton. Have you a statement you wish to present?

Mr. CLAYTON. Yes, sir, I have.

Senator MURRAY. I am sorry that I am going to be called away for minutes to another meeting, but I will get back as quickly as I possibly can, and, of course, will read your first statements later. I will be back before you finish. Mr. Gwynne will handle the meeting while I am gone.

STATEMENT OF W. L. CLAYTON, SURPLUS WAR PROPERTY ADMINISTRATOR

Mr. CLAYTON. I much appreciate Senator Murray's invitation to appear before you this morning. In that invitation I was requested—

to describe the basic problems of national policy involved in surplus property utilization, the policy problems that call for congressional decisions, related matters that also require legislative action, and the activities of (my) office since its inception.

With your permission I will deal first with the activities of my office to date, because I think that my views as to the major problems of legislative and administrative policy, and particularly as to the all-important time factor in relation to those problems, will be much clearer to you when you know the nature of the immediate questions which are pressing us and what we have done and propose to do about them.

The Executive order establishing the Surplus War Property Administration was signed on February 19, 1944, about 2½ months ago. It does not purport to create any new powers to dispose of Government property, but it establishes an agency which, pending legislative action, has general direction and supervision over the handling and disposal of surplus war property. It names four disposal agencies, each dealing with a particular type of property, and all working under policies fixed by the Surplus War Property Administrator. This arrangement should prevent competitive sales activities between Government agencies. It should further prevent one agency buying in the market what another agency wishes to sell.

Our first problem is, of course, to organize our own agency. Its principal functions are those of policy determination and coordination, and we are particularly anxious to use the facilities of existing agencies and not in any way to set up a duplicating organization. But in order to know the facts which must form the basis of any intelligent policy, and in order to insure that a policy, once made, is being carried out and is working, we need a number of competent people. Our plan is to have one group which will deal principally with the large procuring and owning agencies such as the War and Navy Departments, one which will work directly with the various disposal agencies, such as Reconstruction Finance Corporation and Treasury Procurement, and one which will consist of experts in the major fields of property which we will ultimately have to sell, such as machine tools, automotive equipment, aircraft, communications equipment, and the like.

Mr. GWYNNE. Mr. Clayton, would you object if we interrupt to ask you a question as you go along, or would you rather finish your state ment?

Mr. CLAYTON. I don't object; I think it would be a little better to finish my statement before asking questions, but whatever your procedure it will be agreeable to me.

Mr. GWYNNE. I will do that, with the exception of this one question. You make reference to the laws governing the disposal of surplus property. I wonder if there is a convenient compilation of those statutes? There are a number of different laws, as I understand it, covering various phases of the subject.

Mr. CLAYTON. Are you speaking now of existing statutes, or proposed legislation?

Mr. GWYNNE. Existing statutes.

Mr. CLAYTON. In our Surplus War Property Policy Board, we set up a committee, I think, at the first or second meeting of the Board early in March, to study that very question. The chairman of the committee is the Attorney General, Mr. Biddle, and his committee is actively working on the matter now. He has made one or two little preliminary reports to us. It seems there are about one-hundred-and-forty-and-some-odd statutes dealing with the subject of disposal of Government real property, so that it is a major problem to go through all these statutes and to codify them and get the information necessary to make a report. We are hoping to get a report on the subject from the Attorney General within a short time.

Mr. GWYNNE. I think that will be very helpful in clearing up the confusion that now exists on that subject.

Mr. CLAYTON. Yes, sir; it will be.

We are now actively assembling the type of personnel we need.

Almost all our remaining activities are complicated by a sharp contrast, which I want to bring forcibly to the committee's attention because I think it has a pronounced bearing on the questions confronting you. That is the contrast between the immediate problem of surplus disposal and the ultimate and all-important post-war problem.

While the war is on there will be a comparatively small supply of surplus goods and a good demand for them, although a large part of that demand is artificially pent up by the necessary wartime restrictions on the production of civilian goods.

With the complete cessation of hostilities, however, this situation will be drastically changed. Surpluses will then be very large. The great questions then will be whether to sell or not to sell, whether to sell rapidly or slowly, and whether to sell at home or abroad, with all the implications which these decisions carry with respect to foreign and domestic social and economic policies.

It is, of course, for this final phase that we must all prepare. But it would seem clear that one of the most effective ways of preparing for it is to locate and dispose of as much surplus property as possible during the current phase when there is a useful demand and an opportunity to sell with beneficial effect on the domestic economy. Every article sold now is one which will not overhang the market after the war. This must never be lost sight of in the effort to organize so as to be able to handle the post-war problem.

With these somewhat divergent objectives in mind, the activities of my administration to date may be briefly summarized as follows:

(*a*) Formulation and issuance to the procurement agencies of price policies for the sale by them or under their authority of property becoming available as the result of contract terminations. These are purely short-term policies designed to promote the prompt sale of termination inventories directly from the plant of the contractor where they are located, so as to reduce the quantity which will have to be removed, stored, declared surplus, and finally sold by the disposal agencies.

(*b*) Establishment of a clear-cut segregation of the various types of property, on the basis of the Standard Commodity Classification, and assignment of specific classes of property to specific disposal agencies for sale. This is the first necessary step for the coordination contemplated by the Executive order.

(*c*) Organization of the disposal agencies on a regional basis in such manner that they can receive regional reports of surplus, record them on a uniform basis, exchange information as to property available in different regions and advise prospective purchasers of what is for sale. Surpluses in major categories arising in the interim are being declared to the central office of the appropriate disposal agency in Washington.

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(*d*) Development of an appropriate form for use in reporting surpluses, together with instructions for its use.

(*e*) Preparation of an initial regulation, about to be issued, instructing the agencies as to forms and procedures for the reporting of surpluses and as to their relative responsibilities with respect to surpluses so reported.

(*f*) Study through committees and otherwise of such longer term problems as price and disposal policies in connection with specialized classes of property, such as aircraft, organization, and procedures for disposal of property located abroad, coordination with appropriate agencies of foreign governments, effective organization of large prospective classes of buyers, such as tax-supported institutions, price control, existing legal impediments to effective disposition and many others.

You will see from this outline that as yet necessity has dictated that very little of our time be devoted to laying detailed plans for post-war disposal or even to the current day-to-day marketing problems of existing surpluses. First things must come first.

The urgent legislative job, in my opinion, relates to the termination of contracts and not to property disposal. You have heard of this urgency from other witnesses more directly concerned with the problem than I, and I will not labor the point. But it is clear to me that any delay in termination legislation would be contrary to the public interest, and equally clear that a present attempt to legislate with respect to property disposal would probably delay termination legislation. I am aware that your committee has recently reported out a termination bill, S. 1718, that it passed the Senate yesterday, and I hope that it will soon pass the House.

I further feel that some delay in legislating on the subject of property disposal is not only unobjectionable, but in some respects positively desirable. My reasons for their view, briefly stated, are as follows:

(1) As to the immediate problem of disposal in the period of short supply, there is no crying need for legislation. I am advised by the agencies involved that in general their powers are adequate to permit them to dispose of the property currently becoming available as surplus, and I do not think that such current disposals, although they require planning, coordination, and judgment, raise any serious questions of national policy.

(2) Most important of all, I do not feel competent at the present time to recommend legislation as to the important post-war policy problems, or even as to the prior questions of marketing and pricing policy. It seems to me that when the proposed coordinated group of disposal agencies which I have described has been effectively organized and has had practical experience in the daily disposal of surpluses, we will all be in a much better position to determine what legislative path should be followed.

I am therefore not before you today to recommend the adoption of any legislative provisions with respect to surplus property disposition, but, on the contrary, am recommending against the adoption of any such legislation at this time and in favor of the concentration of congressional effort on a contract-termination bill.

I wish to make it quite clear, however, that I feel equally strongly that there are several aspects of the disposition problem on which Congress should in due course express its will. In response to the committee's request, I will outline briefly what I think are some of these aspects, without in most instances indicating any opinion as to the view which Congress should take.

First. Congress should determine what agency it wishes to designate or to create to have over-all direction and supervision over surplus disposal. Coordination will be impossible without a single responsible and authoritative agency, and Congress should determine its composition, functions, and powers.

Second. Whatever agencies are authorized to do the actual selling should receive from Congress a clear and explicit confirmation of their power to pass valid legal title to a purchaser. The multiplicity of statutes on the subject at present, particularly with reference to real property, is highly confusing.

Third. There are a number of classes of prospective purchasers of surplus property who assert claims to preferential treatment, either by way of a prior opportunity to buy, or by way of price advantages, or by outright gift. These classes include veterans, small businessmen, former owners of lands acquired by the Government, tax-supported institutions like States, counties, and municipalities, tax-exempt and charitable and educational institutions, and others. Various individual bills are pending as to the rights of these different classes, such as Senator Lucas' bill in favor of former owners of land and Senator Clark's bill for loans or grants to tax-supported entities. No administrator can fully grant the wishes of any of these groups without legislation, and any administrator is entitled not only to have an expression of congressional will on the subject, but also to have it in a single, comprehensive piece of legislation which will clearly state, if preferences are to be given, both the order of preference and the exact nature of the preference to be given. A cautionary word should also be added to the effect that the draftsmen of any such legislation should keep very closely in mind that any preferential provisions should be administratively workable so as not to impede or delay the flow of disposal.

Fourth. Various proposals have been made for restrictions on the sale of various classes of property, such as industrial plants and critical or strategic materials, some involving a prohibition unless the sale has specific congressional approval. While this is outstandingly a subject requiring time and thought before intelligent recommendations can be made, I feel positively that no legislation should require that the terms of proposed sales be submitted to Congress. I do not believe the Government would profit from business transactions negotiated on such a basis.

Fifth. If, as will presumably be desirable in some instances, disposal agencies are to be permitted to extend credit to purchasers, legislation to that effect would be desirable and perhaps necessary.

Sixth. Legislation may prove desirable as to such matters as disposal of surpluses abroad, prevention of their reentry into this country thereafter, and coordination of this country's program of surplus disposal with those of other allied nations.

Seventh. If it proves impossible to handle the matter adequately through administrative control, legislation may be necessary on the related subjects of acquisition of surplus property by speculators, profits realized therefrom, and misrepresentations to the public by persons purporting to have preferential means of acquiring surplus property at low prices.

Eighth. I am in doubt as to the desirability of legislation on such matters of price and disposal policy as selling through established channels of trade, selling to manufacturers goods requiring reconditioning before public distribution, sales so as to facilitate purchases by small business, sales to discourage monopoly, maximum mark-ups on resale, and the like. General principles expressed in statutes may be helpful if they are not contradictory of each other and are capable of administration without impeding the flow of commence. But there is no substitute for wise administration, and a principle which is ideal for one type of sale may be burdensome and against public interest in another. I am inclined to think that in such matters it is wisest to trust the Administrator, requiring him to subject his every act to the scrutiny of the public and the Congress. This, like the others, is a big subject, and I urge that I be given time and an opportunity to learn by experience before being required to make definitive recommendations.

Senator MURRAY. I note that you don't feel that you are in a position at the present time to make any recommendations with regard to legislation on this topic, this subject.

Mr. CLAYTON. That is correct, Mr. Chairman.

Senator MURRAY. Do you think that within a few weeks you might be able to make some recommendations?

Mr. CLAYTON. It is difficult to say, Mr. Chairman, as I am sure you can imagine. We are working on day-to-day problems under considerable pressure. Our biggest problem is to get our agency organized, and that is not so easy at this time. We need some very high-type people, and we have to look largely to businessmen to get them, because, after all, it is a business problem, this thing of selling; and in these days, when businessmen seem to have their faces turned away from Washington instead of turned toward it, they haven't the same patriotic urge to come that they had some years ago. It isn't too easy to get organized.

Senator MURRAY. It is a highly complicated problem, and the conditions are different in nearly every industry, so that it would require, I suppose, a great deal of study in order to lay down the policies that should control. The policies that might apply in one industry would not apply in another; is that true?

Mr. CLAYTON. That is exactly true; yes, sir.

Senator MURRAY. Is there a danger that if we don't have some legislation promptly that there would be considerable confusion in the disposition or utilization of the property in the meantime? That is to say, the various agencies of the Government that are in control of this property are likely to have conflicting notions as to how it should be disposed of?

Mr. CLAYTON. No, sir; I don't think we will have any difficulty in that respect, because my agency, the Surplus War Property Administration, is charged with the responsibility of fixing the policies surrounding the disposal of this property. The procedure is that the owning or controlling agency, when they have no further use of the property, declares it as surplus to the disposal agency named in the Executive order, and our agency sort of sits between the owning agency and the disposal agency to see that they work effectively together and to fix the policies surrounding the disposal of surplus property.

Senator MURRAY. There have been some stories appearing in the paper with reference to disposal of surplus property in recent weeks which indicate a very serious lack of care in disposing of the property, resulting in disposing of this property at a tremendous sacrifice without recognizing the Government's right in the matter.

Mr. CLAYTON. I think, Mr. Chairman, the instances to which you refer occurred some time ago. I think I know of several of them, and they occurred before the issuance of the Executive order setting up this new agency.

Senator MURRAY. Such things could not occur now since your agency has been set up?

Mr. CLAYTON. I don't think they could; no, sir. We have, as I pointed out in this prepared statement, we have already issued regulations having to do with the pricing policy on what we call contract-termination property, which is to be distinguished from surplus war property as defined in the Executive order. We have not yet issued regulations regarding the disposal of surplus war property, as I understood by the Executive order, but the agencies which are to dispose of the property have been made aware of our policies, our general over-all policies regarding such disposition, and I don't think that we will have a recurrence of the instances that you have referred to.

Senator MURRAY. Reference was made to some of those instances yesterday in connection with the consideration of Senate bill 1718. And Senate bill 1718 itself was being criticized because of the fear that this would permit business to get consideration that would enable them to get away with unfair settlements of these contracts in being paid exorbitant amounts. Have you studied this bill, S. 1718?

Mr. CLAYTON. Not critically, Mr. Chairman. I have, however, given very careful study to the question of pricing of contract-termination property, because that was our direct responsibility as delegated to us by the Joint Contract Termination Board. And we did give study to that subject over a period of about a month, and I think we have

it worked out in such a way that certainly not from the sale of this termination property will business people make any exorbitant profits.

Senator MURRAY. In your statement here you say that Congress should determine what agency it wishes to designate or to create to have over-all direction and supervision of surplus disposal. Of course, you have been set up already under the Executive order?

Mr. CLAYTON. Yes, sir.

Senator MURRAY. And any legislation that would be enacted would, of course, in the usual order of things, name, or undertake to utilize, your office as the office for the proper handling of this problem. You think, though, that you should have some more experience and study of the problem before you could begin to make recommendations as to fixed policies?

Mr. CLAYTON. I think we should, Mr. Chairman.

Senator MURRAY. And in the meantime, you think that the Government could be adequately protected and safeguarded from any reckless disposal of property enabling individual corporations or individuals from making exorbitant profits on it?

Mr. CLAYTON. Yes, sir; I think so. I think we have already taken steps which will do that.

Senator MURRAY. In Senate bill 1823 a provision is incorporated to the following effect: No option to purchase or otherwise acquire Government owned property shall be honored, except in strict conformity with the price and other terms of such option. Have you any comment to make on that provision?

Mr. CLAYTON. Well, I think it is fairly obvious that if an option states the terms on which it may be exercised, that the option itself can hardly be availed of except on those terms.

Senator MURRAY. So if it is not availed of, then it would be our own option and it would be subject to disposal under the general policies that would be adopted?

Mr. CLAYTON. Right. Yes, sir.

Senator MURRAY. So that the person holding the contract should not be entitled to favorable treatment by having that clause modified to give them an advantage?

Mr. CLAYTON. I would think they should not be entitled to preferential treatment; no, sir. Many of these sales, though, Mr. Chairman, will be on a negotiated basis, I would think.

Senator MURRAY. Yes.

Mr. CLAYTON. And it might easily happen that the contractor who held an option would in the end prove to be the purchaser of the property at less than the terms the option would require. But that doesn't necessarily mean that he would get a preference or that the terms of the option had been changed.

Senator MURRAY. That is right; he would have to meet competition.

Mr. CLAYTON. Yes, sir.

Senator MURRAY. And if he were able to outbid the others who were in the market for it, why, then, he would get it?

Mr. CLAYTON. Yes, sir; although it might be less than the option provided for.

Senator MURRAY. That is right; yes. Senate bill 1823 calls for the insertion of provisions calling for the rescinding of such contracts if a certain level of operations is not maintained. That is, where the Government-owned property is taken over or is in operation by these corporations, that if they don't maintain a certain level of operations the matter should be rescinded.

Mr. CLAYTON. I don't think I quite understand that point.

Senator MURRAY. Well, it is proposed that in the sale of any of these Governments plants, that a clause be incorporated providing that if the purchaser of the plant does not maintain operations on a certain level, then the contract should be rescinded.

Mr. CLAYTON. You mean, the——

Senator MURRAY. The purchaser of the plant.

Mr. CLAYTON. Well, as I understand it, it means that—oh, after the Government has sold the plant?

Senator MURRAY. Yes.

Mr. CLAYTON. That they should make as a condition of sale that operations should be maintained on a certain basis?

Senator MURRAY. Yes. Here is the language of the provision [reading]:

> Every contract for the sale, lease, or other transfer of a plant shall be made upon the condition that the purchaser, lessee, or transferee, and their transferees, if any, shall maintain the plant in operation for production for a period of 3 years next succeeding the effective date of the contract, and that, upon breach of such condition, the Government may rescind the contract and recover the plant.

Now, that would mean that if a person purchased one of these plants and failed to maintain the operations on a certain level, they would be required to vacate the plant and surrender it.

Mr. CLAYTON. Would that be at a full level, that is, 100-percent capacity?

Senator MURRAY. No. It means that in the sale they fixed the level at which he would have to maintain it, and if he did not succeed in maintaining it at that level he would lose the plant.

Mr. CLAYTON. Oh. Well, Mr. Chairman, that would be just one of the elements of negotiations. If you sat down—if I were sitting down now trying to sell you a plant, and I wanted to put into it a condition that you had to maintain operations on a certain level, we might start out and say you had to maintain it on a 100-percent level. You would probably say, "Well, on that condition, I am only willing to pay $5,000,000 for this plant because I take too much of a chance." Then I say, "How about 50 percent?" "Well, on that basis, I could pay a little more," and so on. It is a question of its being one of the elements in the transaction.

I should think that it would not be a very good thing to try to do because I think it would delay and make more difficult the disposal of plants.

Senator MURRAY. Naturally. And it would require the Government to sell them at a greater sacrifice.

Mr. CLAYTON. It certainly would.

Senator MURRAY. Wouldn't it be natural for any purchaser of a plant to want to operate it at the highest possible level of production, if the conditions of the country at the time permit it?

Mr. CLAYTON. Certainly.

Senator MURRAY. So that there would be no need for a provision of that kind because the purchaser of the plant would lose if he did not operate at a high level of production?

Mr. CLAYTON. I should think so.

Senator MURRAY. With such a clause in there, it would, as you say, be difficult to secure anybody who would purchase the plant and pay a high price for it if he were saddled with an onerous provision of that kind?

Mr. CLAYTON. I should think so; yes, sir.

Senator MURRAY. Senate bills 1730 and 1823 each have provisions with regard to the Antitrust Division functions on surplus property. Are you familiar with those provisions?

Mr. CLAYTON. No, sir; I am not.

Senator MURRAY. Well, you are continuing your study of this whole problem on surplus disposal, and, in connection with your studies, I presume that you will examine these bills that have provisions——

Mr. CLAYTON (interposing). Yes, sir.

Senator MURRAY. Pertaining to disposal, and any other bills that may come up in the meantime?

Mr. CLAYTON. Yes, sir; we will.

Senator MURRAY. We shall probably have some hearings on the subject; and during the progress of your future study of the subject, you will be able to work out some recommendations in the way of legislation?

Mr. CLAYTON. Yes, sir.

Senator MURRAY. You feel that legislation eventually will be necessary?

Mr. CLAYTON. Yes, sir; we do.

Senator MURRAY. But you think we should not proceed too rapidly because we might make mistakes?

Mr. CLAYTON. I think so. I think we ought to have a little more experience, get our organization set up, and have a little more time to study the whole subject.

Senator MURRAY. Senator Lucas has presented a letter here from the Farm Bureau, which was introduced in the record this morning. I should like to have you examine it.

Mr. CLAYTON. All right, sir.

Senator MURRAY. For the purpose of making any recommendation that you may desire to make.

I also have a letter here from Senator Lucas, referring to his bill, which I ask to have put in the record at this point. I might read it to you and ask for your comment on it, Mr. Clayton [reading]:

Recently I introduced S. 1794 which deals with the dispostion by the Government of surplus land acquired for war purposes. The bill is self-explanatory and needs little or no comment from the undersigned. However, it seems to me that the measure in question is in keeping with the principles of equity and elemental justice.

Certainly those people whose forebears have for generations lived in the same community should have a priority on returning to that community if and when the time comes that the War Department has reached the determination that the land has no further military value.

In the letter written to you by the Honorable W. L. Clayton, Administrator, Surplus War Property Administration, you will note he states definitely that Congress might well pass legislation for this purpose. Then he proceeds to set forth certain problems which should be considered by the committee, and I shall discuss them in seriatim fashion:

1. I agree that where land has been acquired from various owners and structures ranging from barracks to large industrial plans have been erected, that it would be inadvisable to divide this property into separate units, as was found by the War Department, previous to the time they took it over. However, it should be definitely understood that when a plant and barracks are sold as a unit, that the barracks are to be used in connection with the operation of the plant.

2. It is to be hoped that the contractors now operating these plants have not obtained from the Government options on all of the land surrounding the plant. If that is true, contract rights should not be respected under these circumstances. That is especially true in the event that the plant is to be used for some other purpose, and the land obtained for protection purposes in the making of implements of war is unnecessary in the making of civilian goods.

3. I do not follow objection No. 3.

I agree that considerable latitude of administrative discretion should be left in the agency. However, our troubles in the past with interpretation by the various agencies leads me to believe statutory language should be as clear and comprehensive as possible, in order that there will be no question about the administrator carrying out the intention of Congress.

Respectfully submitted.

SCOTT W. LUCAS.

Have you any comment to make on that, Mr. Clayton?

Mr. CLAYTON. Well, only this, Mr. Chairman: That I certainly sympathize with the purpose of that bill. I think there is a great deal to be said in favor of giving to the people who sold this land originally to the Government the right to take it back at what they got for it. But there are in connection therewith some very serious and difficult problems. For example, how long should the right run to the original owner of the land? If you would say that it should run for, say, 30 days after the disposal agency had indicated the land was to be sold, that is one thing; but that step cannot be taken by the disposal agency until the land is declared surplus.

Suppose, for example, this refers only to land acquired for war purposes. It is conceivable that some of it may be retained by the Government for 10, 15, or 20 years, and then declared surplus. Is this right to the original owner to run for that length of time? If so, you can see that that introduces some very serious and difficult problems.

Another thing is that if you are going to legislate to that effect, you understand that it introduces the problem of adverse selectivity against the Government. The original owners of land who see that the value of the land has increased since they sold it would obviously want to take it back. Others who see that they got a good price for it when they sold it and it is not worth as much as they got for it would not be interested, so that is a rather serious problem.

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There are many other difficulties—question of improvements on the land; you may have the land where you built paved streets through it and greatly improved its value in one way or another, and that makes for a difficult problem.

Are you going to do it, are you going to give the right of repurchase only to the original seller, or to his heirs, and so on? And then the administrative problem of searching out these people and locating them and making sure you have located the man who originally sold it before you disposed of it, would be a time-consuming factor which might greatly slow up the process of disposition.

As you know, we have at the present time a very good market for the disposal of surplus lands, and we should like to get on to that job as soon as we can. There are other points that will occur on reflection to make it difficult, but I want to say that I do sympathize with the purpose that Senator Lucas has in mind.

Senator MURRAY. Yes; I can see where it presents a great many problems, and it seems to me that some hearings should be conducted on the bill so as to work out those questions in order to avoid any mistake. If a bill is passed, it would virtually create a lien on the property for the previous holders or owners of the property.

Mr. CLAYTON. I imagine that is right.

Senator MURRAY. And some way would have to be provided that if they did not exercise their right to come in and take the property, they would be barred from it and the Government would be entitled to sell it?

Mr. CLAYTON. I should think so, and there would have to be a definite limitation of time.

Senator MURRAY. Well, undoubtedly, there would be some hearings held on the bill, and at that time you will be able to testify further?

Mr. CLAYTON. Yes, sir.

Senator MURRAY. Any questions?

Mr. GWYNNE. Mr. Clayton, I have received several letters, of which this one I have is typical. I want to read one sentence or two [reading]:

> I note that the National Housing Authority now has the authority to dispose of certain building materials that may result from the wrecking of certain Government housing units that may no longer be needed for the war effort. They are considering a plan to sell this material direct to the consumer.

Then, he goes on to complain that such a policy would be very injurious to his particular group of retail lumber dealers.

Would you care to make any comment on that subject?

Mr. CLAYTON. I would just say that, while I don't know the circumstances surrounding this particular matter about which he writes, that, in general, our policy is to see that this surplus property is disposed of through the regular channels of trade. It is not generally possible for, or feasible for the Government to deal directly with the millions of citizens who are interested in making purchases; and to do so would mean that we would have to set up duplicate organizations of existing dealers and so on, which would not, of course, be feasible or desirable. And generally, we do work on the basis of disposing of the property through the regular channels of trade.

Mr. GWYNNE. Then, it is not true, as he suggests here, to go on reading, that the policy is being adopted——

Mr. CLAYTON. I beg pardon, I am sorry.

Mr. GWYNNE. It is not true, as he suggests, that a policy is being adopted that would put the Federal Housing Authority in direct competition with retail lumbermen of the country, that is not true?

Mr. CLAYTON. I should not say that it isn't true. I will be glad to make a note of it and look into it to see just what action has been taken. But I would say this: That as soon as we can issue our regulations, the N. H. A. will have to declare as surplus any salvage or scrap material that may result from scrapping these houses. They are the agency selected for the sale of the houses, but I doubt if they would be the agency selected for selling the scrap if the houses are wrecked.

Mr. GWYNNE. Now, in connection with the legislation that will eventually be adopted by Congress, do you think it should be the general policy of that legislation to require the disposal of surplus goods, particularly consummable goods, through the regular private channels of trade?

Mr. CLAYTON. I don't think so, and for this reason. I think that that question is just part and parcel of the general question of the type of legislation that we should have. I don't think that legislation ought to run much to details. I think it ought to leave a very wide latitude of discretion to the Administrator because there are so many importabilities in the situation that it is impossible to foresee what will arise in each case or with each commodity. A general expression of preference in certain discussions would be all right, as, for example, that wherever feasible the regular channels of trade should be used.

I have several times given as an illustration of where, in my judgment, the regular channels of trade should not be used—should not have been used and were not used. The example of the sale of Government surplus wool. We had 330,000,000 pounds of foreign wool to sell. It was surplus, and we thought the best way to dispose of it was by auction in Boston, and that is the way we have been selling it. We did not use the regular channels of trade there. It is not necessary to go into the different reasons, I don't think, that prompted us, but we felt that was the best way to sell the wool.

There will be other cases where, for this reason or that, you may want to adopt a different method of disposal than using the regular channels of trade.

Senator MURRAY. There was some thought that the Smaller War Plants Corporation could perform some role in connection with the disposal of surplus property, especially in connection with disposing of it to the smaller concerns of the country. Have you any thoughts on that subject?

Mr. CLAYTON. Yes, sir. I have discussed it at considerable length with Mr. Maverick, the Chairman of the Corporation. I think they can perform a useful service in helping to bring buyers and sellers

together because they are in touch with these smaller plants all the time, and they can inform themselves as to the kinds of property they wish to acquire and keep informed as to what the disposal agencies have for sale; they can perform a service there in bringing the two together, just as we have arranged to do with the Redistribution Bureau of the War Production Board. They have 12 or 13 regional offices all over the United States, and in the disposition of contract termination property, they are performing a very useful service in receiving the lists of the property that is available and in distributing those lists to the people that they know may be interested in buying the property, and generally in trying to bring buyer and seller together.

Senator MURRAY. I should think they could by reason of their contacts with the smaller concerns of the country, keep them advised constantly of the property, the character of the property that might be available.

Mr. CLAYTON. Yes, sir.

Senator MURRAY. What policies do you think should be enacted in regard to the peacetime use of these patents and new processes which have been developed during the war?

Mr. CLAYTON. Mr. Chairman, that is something I just haven't thought about enough to express an opinion. I should like, if I may, to revert a moment to the previous question just to add that in my opinion it is highly desirable to keep at a minimum the number of agencies which will be actually selling this surplus property, actually disposing of it, because, obviously, whenever you add a new agency as a disposal agency you just introduce more confusion and competition, and make it more difficult for me in my job to see that they stay in the line.

Senator MURRAY. Well, I am sure that during the course of your studies there, you will be able to develop ideas regarding the correct policies that should be considered in connection with any legislation, and we will be glad to have you submit to us some statement on the subject later on.

Mr. CLAYTON. Thank you, sir. I should just like to add one other thought, and that is that with reference to Senator Lucas' bill and bills of that character, which are designed for the purpose of giving a preference, that it is very desirable that all such bills, I think, should be incorporated in one measure so that we will know the order of preference. Obviously, if the owner of the land is to have a preference in repurchasing the land, and then some other class of citizen is to have some preference also in respect of their land, all these preferences ought to be set out in one bill so that we will know how to proceed—who has preference number one, and who has preference number two.

Senator MURRAY. I should like to ask, Mr. Clayton, if you could submit a preliminary draft of a bill which would cover the first three points of your suggestions in your statement here this morning. It

is not necessary that you would be bound by them, but an outline of what you think might be the basis of legislation which would cover these three first points you mentioned here.

Mr. CLAYTON. I think the first two would be very easy, Mr. Chairman—we would not have much difficulty on the first two. Number three introduces a very difficult question, that is, these preferences.

Senator MURRAY. Well, you could submit some alternative drafts on that, or some general policies that might be considered.

Mr. CLAYTON. I should like to confer with my counsel for a moment.

Senator MURRAY. I tell you what you could do, Mr. Clayton. I wish you would examine that and submit to me any statement you think might be helpful. We realize you are in a better position than anyone else to pass on the problems of legislation here and all we want is to have your best advice and assistance in considering the legislative features of it.

Mr. CLAYTON. Thank you, sir. We will try to do that within a short time.

Senator MURRAY. Thank you. Thank you, Mr. Clayton, we appreciate your coming.

Mr. Moe, will you state your full name, your residence, your position, and whom you represent?

STATEMENT OF M. P. MOE, EXECUTIVE SECRETARY OF THE MONTANA EDUCATION ASSOCIATION

Mr. MOE. My name is M. P. Moe, executive secretary of the Montana Education Association, Helena, Mont.

Senator MURRAY. Before you begin your statement, I wish to introduce in the record in connection with your statement a letter from Mrs. C. W. Gross, president of the Montana Congress of Parents and Teachers, in connection with this topic.

(The letter introduced is as follows:)

MONTANA CONGRESS OF PARENTS AND TEACHERS,
Helena, May 1, 1944.

Senator JAMES E. MURRAY,
Congress of the United States,
Washington, D. C.

DEAR MR. MURRAY: The Montana Congress of Parents and Teachers at a meeting of the executive board held on April 27, voted unanimously to instruct M. P. Moe, executive secretary of the Montana Education Association to represent them at the hearing before the War Contract Subcommittee to be held May 5.

We are in favor of that portion of war surplus materials which can be used for training programs in our public schools being distributed to the schools on an equitable basis. We believe that this would be for the mutual benefit of the schools and the public.

We also favor distribution of these materials through the various educational authorities on the various levels—National, State, and local—as these authorities should be best informed as to needs and maximum use to be made of these materials.

Very truly yours,

Mrs. C. W. GROSS, *President.*

Senator MURRAY. You have given your residence, Mr. Moe?

Mr. MOE. Yes.

Senator MURRAY. I welcome a representative from my home State to appear here before this committee to assist us in this important legislation we have. I am sure you can be helpful to us.

Mr. MOE. I appreciate very much, Senator, the opportunity to be heard. I am sorry that I haven't enough copies to be distributed at this time, but since arriving I have been asked to represent more than just my own State so I have had to revise what I had.

At this hearing I am representing, as an official, the following organizations:

1. The National Education Association, of which I am a vice president and a State director. The Montana Education Association is an affiliate of the N. E. A., as well as 47 other State education associations, altogether aggregating approximately 800,000 teachers in the United States, the District of Columbia, and the Territories.

2. The Montana Education Association, as its executive secretary.

3. The National Association of State Secretaries of Teachers Associations, as its secretary-treasurer.

4. The Montana Veterans' Advisory Board, as its secretary-treasurer.

5. The Montana district of Kiwanis International, as its immediate past governor and senior member of the State board.

I also represent the following organizations as indicated by the attached letters or copies of letters:

1. The Montana Congress of Parents and Teachers. I believe, Senator, that you have received a letter from Mrs. Gross.

2. The Montana School Boards Association.

3. The Helena Board of School Trustees.

4. The State department of public instruction, Elizabeth Ireland, superintendent, and Harry Norton, supervisor of visual education.

5. Montanans, Inc., the State chamber of commerce.

You will please note that the organizations and individuals represented form a cross section of our people. Had time permitted, I should have had letters for representation from other groups, such as the Montana Federation of Labor and the Montana Congress of Industrial Organizations, both of which are vitally interested in improved educational facilities as well as in the maintenance of production and of employment after the war.

A. It is our belief that materials now being used in the war effort, useful for training purposes in our schools, should be distributed to the schools on an equitable basis and without cost, possibly excepting cost of handling, storage, and transportation. It is impossible at the present time to know just what might be obtainable in surplus materials.

1. These materials would include, by way of illustration, such items as:

(*a*) Aeronautic equipment, training planes, parts, repair tools, motors, and apparatus suitable for equipping flying fields.

(*b*) Electronic equipment, radar, radio, and other radiations apparatus developed for war service.

(*c*) Visual aids—projectors, films, maps, charts, graphs, and so forth.

(*d*) Radio instruments, equipment, and supplies both for receiving and broadcasting and for training purposes in shops and laboratories.

(*e*) Musical instruments and supplies.

(*f*) Shop tools and equipment for auto and other mechanical training.

(*g*) Materials for demonstration and practice, such as engines, trucks, planes.

(*h*) Laboratory equipment and supplies for training in biological, chemical, physical, and other sciences.

(*i*) Transportation equipment such as chassis, tires, and other parts suitable for the building of school busses the supply of which has now been greatly depleted because of wartime restrictions on material and labor. Jeeps, station wagons, and the like would meet a vital need of attendance officers and maintenance employees.

(*j*) Miscellaneous materials, such as books of science, mathematics, aerodynamics, health, hygiene, recreation, military drill, and sporting and recreational goods.

2. Without such materials, the schools cannot hope to do the training in the post-war era that will be demanded of them. A few of the most fortunate schools may be able to do so, but a large majority are now having a difficult time to keep going. The post-war schools will be called upon to provide a vastly expanded program. The billion dollar educational program for veterans will call for a great increase in training equipment. The reconversion of war industry will require the retraining of millions of war workers for peacetime jobs.

3. Such materials turned over to the schools will eliminate a large quantity of goods from competition with post-war industry, thereby assuring maximum employment opportunities for returning veterans and war workers.

4. Such materials have been paid for by all taxpayers throughout the United States, who are entitled to their continued use. The only effect of our request is to transfer such property from the custody of Federal officials to State and local officials.

5. We believe that our request is based upon sound reasoning whether considered from the angle of the taxpayer or from the angle of our economic and social welfare. The distribution of such goods to the schools will enable them to improve their program of preparing our future citizens vocationally and socially in the more complicated age in which they will live.

B. We believe that in making these materials available to schools our established educational authorities, cooperating closely at all levels local, State, and national, should have a large part in determining what materials are usable in the schools and how they can most effectively be made available to them. The United States Office of

Education, the State departments of education, and the local school boards, will be able to give advice and counsel in the fields which they represent. The use of these agencies will reduce the costs of distribution by utilizing already established offices properly manned.

C. Do schools need the surplus war materials? One example may suffice to show this need. The Helena, Mont., school district is one of the wealthiest in the State; yet that district could not have trained 7,000 men and women (a number almost equal to one-half of the population of our capital city) for the armed forces and war industry had it not been for the materials furnished them by the various Federal agencies.

L. W. Fahrner, principal of the Helena Vocational School, stated on Monday of this week that he needs $25,000 worth of small tools and instruments right now. These cannot be secured because of the fact that all income now provided for operating the schools is being utilized to its full limit. A special election to vote additional levies must be held in order to prevent a curtailment of the secondary school program.

Other school districts are less fortunate. Our school taxation and finance laws have been liberalized and State funds built up so that today we can secure about twice as much money per classroom unit as we could have under the laws previous to 1929. In spite of this, increased demands and costs have outstripped increased finances.

A present State study shows that by 1960, due to increased birth rate, and demand for more and better educational programs, we shall again have to double the funds furnished for schools.

We are not asking the Congress to tax the people to furnish us with this surplus equipment; we are merely asking that you transfer title or custodianship from the Federal Government to State and local units of government. We oppose placing these materials on the market for sale at personal, corporate, or governmental profit, thereby depriving our schools of needed help and also entering into competition with industry and causing a curtailment of employment for our returning veterans and war workers.

We do ask that provisions for aiding education in this way be made as a specific mandate in legislation to be passed now. Now is the time—not tomorrow—to plan for effective education of the veterans and the war workers who will need to shift occupational skills immediately upon reconversion of war offices and factories to peacetime production. Without knowing now that such equipment and supplies will be available, we cannot plan effectively. We cannot wait for the liberalization of present State laws to finance the purchase of such materials. If the supplies on hand at the close of the war are not made available to schools, the education of both veterans and workers must wait, even thought the Government finance the purchase of new equipment, until the wheels of production have turned it out. This may take 2 years or more.

We ask you to give these thoughts your most serious consideration.

(The letters referred to by Mr. Moe as being attached, are as follows:)

APRIL 21, 1944.

Senator JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MURRAY: We are informed that a hearing will be held in the United States Senate on May 5, 1944, concerning the disposal by the United States Government of equipment no longer necessary to the conduct of the War, including radio, visual aids, aircraft and parts, etc.

It is our desire that a part of this material be made available for use in the teaching process by Montana public schools.

Mr. M. P. Moe, secretary of the Montana Education Association, is authorized to speak for our association at the hearing, and we trust that your committee will give thoughtful consideration to his remarks.

With best wishes,

Cordially yours,

———— ————, *Secretary.*

PUBLIC SCHOOLS,
Helena, Mont., April 24, 1944.

Senator JAMES E. MURRAY,
Congress of the United States, Washington, D. C.

DEAR SENATOR MURRAY: This is to certify that the Board of School Trustees of Helena has authorized M. P. Moe to represent it at your hearing on distribution of war surplus materials before the War Contracts Subcommittee.

The board is in favor of distributing materials useful to schools in their educational and training programs and also for making arrangements to distribute these materials through the established educational authorities on the National, State, and local levels.

Very truly yours,

F. E. YOUNG, *Chairman,*
J. F. MCBRIDE, *Secretary,*
Board of School Trustees, Helena, Mont.

DEPARTMENT OF PUBLIC INSTRUCTION,
Helena, Mont., April 29, 1944.

Senator JAMES E. MURRAY,
Congress of the United States, Washington, D. C.

DEAR SENATOR MURRAY: It has come to my attention that a hearing will be held in the United States Senate May 5, 1944, concerning the disposal by the United States Government of equipment no longer necessary to the conduct of the war, including radio, visual aids, aircraft and parts, etc.

If this equipment is to be made available to the schools of our Nation we wish Montana to be considered in the distribution as Montana schools could make excellent use of these teaching materials.

We understand Mr. M. P. Moe, executive secretary of the Montana Education Association, is to be present at the hearing and will speak on behalf of several groups, Montana State Department of Public Instruction, included.

Yours very truly,

ELIZABETH IRELAND,
State Superintendent of Public Instruction.

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DEPARTMENT OF PUBLIC INSTRUCTION,
Helena, Mont., April 25, 1944.

Mr. FLOYD BROOKER,
Director of Films, Federal Security Agency,
United States Office of Education, Washington, D. C.

DEAR MR. BROOKER: I have been told by Mr. M. P. Moe, executive secretary of the Montana Education Association, that he is leaving here to be in Washington for a conference on May 5. He expects to there on May 4 and I presume that he will at once make contact with Senator Murray.

The occasion of his visit to Washington seems to be the post-war disposal of material now being used by the armed forces. Since a considerable amount of their matériel may be in the field of visual education I have asked Mr. Moe to discuss with you the needs of Montana for material that could come from the Federal Government to the poorer schools of our State.

If you feel that you will have matériel which could be used by the department of visual aids of the State Department of Public Instruction of Montana, we would be pleased to have same and assure you it would be used to advantage.

Your very respectfully,

ELIZABETH IRELAND,
State Superintendent of Public Instruction.
By HARRY NORTON,
State Supervisor of Visual Education.

MONTANANS, INC.,
Helena, Mont., May 1, 1944.

To Whom It May Concern:

The bearer, Mr. Martin P. Moe, has talked over his trip to Washington on the release of excess materials to schools in the use in educational process.

We feel this would be a fine thing and give them facilities they could not afford otherwise and we concur in this move.

Yours very truly,

MONTANANS, INC.
By A. T. PETERSON, *President.*

Senator MURRAY. I think you take the position that the State educational institutions can be of great assistance in aiding in the proper disposition of this property?

Mr. MOE. Yes, sir.

Senator MURRAY. You don't mean that property should be turned over to the State institutions for disposition, but that they should be able to make recommendations as to how it should be distributed?

Mr. MOE. Yes. I did not mean that the institutions would be the agency desired to distribute, no, but simply that their knowledge and informational needs should be utilized so that would not happen. Recently I heard someone received an airplane and the cost of shipping was so much that they could not pay for it, but that only materials usable were to be distributed. We are not in favor of a plan that would distribute materials to schools they cannot use.

Senator MURRAY. If the State educational institutions had information with reference to the character and extent of the property that would be available for distribution, you could make an estimate on the amount that could be utilized in your State?

Mr. MOE. Yes.

Senator MURRAY. And provide suggestions and advice to the authorities who will be disposing of this property as to just where it should be disposed of in the several States?

Mr. MOE. Yes. I believe that in carrying on the work of distribution, the State Department of Education, which has its vocational set-up, particularly could give you informational needs in the various fields of material that may be available, and could do so on very short notice.

Senator MURRAY. Do you think the legislation that might be enacted should only permit the State educational institutions to have certain priorities, or should there be a firm mandate that they be required to distribute this property to the greatest extent necessary to the educational institutions of the country?

Mr. MOE. Immediately when the war is over, and, in fact, right now, the problem is appearing, but only on a small scale. But immediately when the war is over there will be thousands returning who will want to be retrained. We need that material now, because although we have been furnishing a great deal of material in our training of the 9,000,000 war workers in the past 3 or 4 years, that material is just about worn out and used up. For instance, in this school in Helena in a 2-year period they carried on on a four-shift basis, 6 hours each, for the full 24 hours, and they have actually utilized this material in the 2-year period equivalent to about 10 years of normal service. And we need it now so that we can be ready. We are already training some of the returning veterans in this very school and not some others, and we cannot wait for the others if we are to do the job.

Senator MURRAY. You then urge that legislation should provide ways and means of carrying out a program of that kind?

Mr. MOE. Yes. I do not believe that such legislation would be in conflict with Mr. Clayton's viewpoints. As this is not going on the market to dispose of materials.

Senator MURRAY. No. It would be practically withdrawing it from the market.

Mr. MOE. Yes.

Senator MURRAY. And protecting industry from being flooded with a lot of property while at the same time carrying on a very important function of education and training.

Mr. MOE. Yes.

Senator MURRAY. Which would be valuable to the country?

Mr. MOE. Yes.

Mr. GWYNNE. Mr. Moe, your notion is that this material should be turned over to these schools without charge?

Mr. MOE. Yes, as nearly as possible. I did mention that probably the cost of distribution, handling, and so on——

Senator MURRAY. Has any Federal agency yet asked you what surplus property you might be able to use?

Mr. MOE. None has come to my attention, although Miss Ireland did say that someone had written them stating some materials were available at the present time. But her statement was that the trouble

was, the materials available would be purchased if the local school districts had not already purchased the material. For instance, visual aids, projectors, we have about 135 schools already having projectors, but we have approximately 90 of our village and city schools which do not have because their budgets will not permit it. Then we have the rural schools in the 56 counties who probably could use a projector for all the rural schools by circulating—being circulated on the library plan. Then, we also have the State visual aid library, of which Mr. Norton is a director or supervisor, and he stated that of course they are short of materials for distribution, not turning over as property, but for use and distribution through the library method to these various schools, and, of course, they are anxious to build up the library to render the service that they are called upon to render.

Senator MURRAY. In addition to the public schools and institutions, there are a number of private schools. Do you feel they should also be entitled to participation in the distribution of this surplus property?

Mr. MOE. Of course, I have no authority to speak for the private schools, and haven't given that much thought.

Senator MURRAY. But if they are engaged in teaching along the same lines as the public institutions, they could greatly improve their work by having access to some of this surplus property also?

Mr. MOE. Now, in our State, I imagine that work would come in the colleges, as I don't believe we have any private high schools that have any programs of this kind. There might be some minor equipment, but as far as vocational training is concerned——

Senator MURRAY. Like where they teach chemistry or something like that?

Mr. MOE. Yes, that is possible.

Senator MURRAY. They have a Christian Brothers school in Butte, for instance, where they conduct high school courses.

Mr. MOE. Yes?

Senator MURRAY. They might be able to use some equipment in connection with their teaching program.

Mr. MOE. Well, that, of course, I think, is entirely a matter to be determined by your group. I haven't contacted any of them, so I don't know what their wishes are.

Senator MURRAY. Have you discussed the problem with Mr. Clayton, the Surplus Administrator?

Mr. MOE. No; I have not.

Senator MURRAY. I think it would be advisable for you to see him while you are in the city, and go over the subject and get his views on the matter. I think he could probably be helpful in advising you on what kind of program should be carried out.

Mr. MOE. Well, I will try to do that. I am leaving this evening, but I will try to contact him.

Senator MURRAY. If you can't see him, you could correspond with him. I think he would be able to help you.

Mr. MOE. I should be glad to do that.

Senator MURRAY. Well, thank you for your statement, Mr. Moe.

Mr. MOE. I thank you very much for this opportunity.

Senator MURRAY. I ask to insert in the record at this point reports from various Federal agencies on surplus property, in connection with the bills pending before the committee.

(The reports are as follows:)

WAR DEPARTMENT,
Washington, May 2, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs, United States Senate.

DEAR SENATOR REYNOLDS: The War Department is opposed to the enactment of S. 1775, Seventy-eighth Congress, second session, a bill to provide for restoring real property acquired by the United States for military purposes to the former owners thereof, with regard to which you have requested the views of this Department.

The purpose of this legislation is to insure that when any real property acquired by the United States under the act of July 2, 1917, authorizing condemnation of lands for military purposes, is no longer needed for such purposes it shall first be offered to the person from whom the property was originally acquired upon such terms and conditions as the head of the department or agency involved may determine to be reasonable. It is further provided that no such property shall be sold or otherwise disposed of other than to the person from whom it was acquired, for 1 year after notice has been given to the former owner, unless the former owner indicates that he does not desire to reacquire the property, cannot be found, or is determined to be dead.

Under existing law the War Department has no general authority to dispose of real property acquired for military purposes, with the exception of those facilities acquired pursuant to the provisions of Public Law No. 703, Seventy-sixth Congress, July 2, 1940, and Public Law No. 507, Seventy-seventh Congress, March 27, 1942. These acts authorize conveyances of military properties when it is deemed to be in the interest of national defense.

The act of July 2, 1917 (40 Stat. 241), as amended, referred to in S. 1775 authorizes the Secretary of War to institute proceedings to acquire by condemnation any lands needed for military purposes. It also authorizes the acquisition of such lands by direct purchase or contract when, in the opinion of the Secretary of War, the amount asked by the owner is reasonable. Thus, the properties effected by S. 1775 would include sites acquired by purchase as well as by condemnation. However, since Public Law 703, Seventy-sixth Congress (act of July 2, 1940) also authorizes the acquisition of land for military purposes, as does the act of August 12, 1935 (49 Stat. 610–611, 10 U. S. C., secs. 1343 a and c) and the act of August 1, 1888 (25 Stat. 357), when implemented by an appropriation act, there would be a certain number of properties now being used for military purposes to which the provisions of S. 1775 would not apply, since they were not acquired under the act of July 2, 1917. There appears to be no logical reason to restrict the operation of the proposed legislation solely to those owners whose lands were acquired under the act of July 2, 1917.

Senate bill 1775 is very similar to a number of bills which have recently been introduced to enable the original owners of lands acquired for war purposes, to repurchase their properties. In reporting on these measures, the War Department has consistently pointed out that, as a matter of principle, the repurchase of surplus property by former owners is desirable wherever this does not conflict with the prosecution of the war effort or the best interests of the public as a whole. In general, however, it has been found that surplus properties can best be disposed of on a competitive bid basis, thereby giving all prospective purchasers an opportunity to acquire a particular site. Every effort is made to advise the former owners that their lands are to be sold and to afford them an opportunity to submit bids thereon.

One of the most serious objections to the enactment of S. 1775 and similar bills is that it would place upon the War Department the burden of ascertaining

whether the owners of the property are still living and notifying such owners of the contemplated disposition of the property. The effect of such limitation would be to delay, in some cases for a year, the disposal of most of the 75,000 tracts of land which the War Department has acquired since the inception of the present emergency. It is obvious that the War Department would be confronted with a tremendous task should such legislation be enacted, since in a great many cases the original owners are no longer residing in the same community but have reestablished themselves in other parts of the country.

An equally serious objection to the enactment of this legislation is the fact that in many, if not most cases, the original boundaries of the component tracts within a given military installation have been obliterated and expensive improvements have been constructed upon the site. If the original owners are to be afforded an opportunity to repurchase their individual tracts, the orderly and economical disposal by the Government of such facilities as ordnance plants, airfields, and industrial sites would be practically impossible. Not only would the Government suffer a substantial financial loss through inability to dispose of a given installation, such as an airfield or manufacturing site, as a unit, but the country's post-war production potentialities would be seriously curtailed.

Enactment of this measure would encumber the titles to all lands acquired by the Federal Government pursuant to the act of July 2, 1917, by creating a right in the former owners thereof, which could not be readily eliminated as a matter of record and which would substantially impair the marketability of the Government's titles.

It is not possible for this Department to estimate the fiscal effect of enactment of S. 1775 but is believed that the expense of administration thereof and losses thereunder to the Government would be substantial. Accordingly, the War Department recommends that S. 1775 be not enacted into law.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

HENRY L. STIMSON,
Secretary of War.

UNITED STATES SENATE,
Washington, D. C., May 5, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: Recently I introduced S. 1794 which deals with the disposition by the Government of surplus land acquired for war purposes. The bill is self-explanatory and needs little or no comment from the undersigned. However, it seems to me that the measure in question is in keeping with the principles of equity and elemental justice.

Certainly those people whose forebears have for generations lived in the same community should have a priority on returning to that community if and when the time comes that the War Department has reached the determination that the land has no further military value.

In the letter written to you by the Honorable W. L. Clayton, Administrator, Surplus War Property Administration, you will note he states definitely that Congress might well pass legislation for this purpose. Then he proceeds to set forth certain problems which should be considered by the committee, and I shall discuss them in seriatim fashion:

1. I agree that where land has been acquired from various owners and structures ranging from barracks to large industrial plants have been erected, that it would be inadvisable to divide this property into separate units, as was found by the War Department, previous to the time they took it over. However, it should be definitely understood that when a plant and barracks are sold as a unit, that the barracks are to be used in connection with the operation of the plant.

2. It is to be hoped that the contractors now operating these plants have not obtained from the Government options on all of the land surrounding the plant. If that is true, contract rights should not be respected under these circumstances. That is especially true in the event that the plant is to be used for some other purpose, and the land obtained for protection purposes in the making of implements of war is unnecessary in the making of civilian goods.

3. I do not follow objection No. 3.

I agree that considerable latitude of administration discretion should be left in the agency. However, our troubles in the past with interpretation by the various agencies leads me to believe statutory language should be as clear and comprehensive as possible, in order that there will be no question about the administrator carrying out the intention of Congress.

Respectfully submitted.

SCOTT W. LUCAS.

MAY 4, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, Committee on Military Affairs of the United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: The War Department has given consideration to the provisions of S. 1823, a bill "To establish an Office of War Mobilization and Adjustment." It does not favor the passage of this legislation for the following reasons:

Title I of the bill calls for the creation of an Office of War Mobilization and Adjustment in the Executive Office of the President. The act contemplates that there will be a Director of War Mobilization and Adjustment and charges him with the responsibility of unifying the programs and activities of all Federal agencies affecting industrial production, economic stabilization, war production, or demobilization. Provision is made for the creation of a National Production Employment Board consisting of representatives of industry, labor, and agriculture, and the Director is required to consult periodically with this Board.

The proposed Office of War Mobilization and Adjustment would seem to duplicate the functions now being performed by a number of agencies, including the Office of War Mobilization, Surplus War Property Administration, and the War Production Board. The War Department fears that confusion may result which would be harmful to the war effort.

Title II of the proposed enactment provides for the creation within the Office of War Mobilization and Adjustment of a Bureau of Programs. The functions of this unit appear to overlap those of existing agencies. To the extent that they do not do so, they appear to be such as might be better performed in the manner best dictated by the judgment of the Director, without statutory restrictions as to administrative details.

Title III of the bill undertakes to charge the Chairman of the War Production Board with certain responsibilities, to be performed after consultation with a Production Program and Reconversion Committee upon which representation is provided for specified agencies. To this title the War Department takes exception; first, because the responsibility conferred upon the Chairman of the War Production Board is so broad as to involve an unwarranted intrusion on matters of a military nature (for example, he is charged with the duty of coordinating, expanding, transferring, and curtailing "the military production programs of the several procurement agencies"); and, secondly, because the function of the proposed Production Program and Reconversion Committee are already being performed in a satisfactory manner by committees of the War Production Board, particularly the Production Executive Committee, the Requirements Committee, and the Program Committee. While modification in the internal organization of the War Production Board may be required from time to time, it is believed that such changes should be left to the sound judgment of the Chairman, uncontrolled by rigid statutory limitations.

The provisions of title IV of the bill deal with surplus war property disposition. Provision is made for the establishment of a Surplus War Property Administration, headed by an Administrator and a board upon which are included representatives of 14 specified agencies and the 9 members of the National Production-Employment Board. The addition of the members of that Board to a body already large could not fail to impair its usefulness.

In general the provisions of title IV fail to accomplish the primary requisite of any legislation dealing with the subject of surplus war property disposition in that they do not contain any clear grant of authority to dispose of surplus property. The proposed legislation contents itself with the enactment of certain restrictions and the promulgation of certain policies. It is believed that a basic grant of authority is needed, especially in view of the fact that some of the legislation under which disposition of surplus property is now being made is of limited duration. This title is likewise objectionable in that it fails to reserve to the contracting agencies power to dispose of termination inventory and to make any disposition of surplus property which in the judgment of the agency is required to facilitate the prosecution of the war. Unless the power to make such disposition is reserved the prosecution of the war would be impeded, and termination settlement greatly delayed.

It is likewise believed desirable that any pending legislation should clarify the relation of the contracting agencies and the disposal agencies and should indicate that the disposal agencies have responsibility to take physical possession of surplus property at the request of the contracting agencies.

The legislation is likewise defective in failing to define surplus property as property declared surplus by a contracting agency. The absence of such definition may create confusion and be harmful to the efficient conduct of the war.

Section 403 of the proposed enactment contains what appears to be an iron-clad proviso requiring surplus war property located outside of the United States or to be disposed of outside the United States, to be assigned for disposition to the Foreign Economic Administration. It is believed that this provision may interfere with military operations overseas and may prove otherwise impracticable.

Section 405 imposes upon the Director of the Bureau of the Budget the duty to receive and review the property requirements of Government agencies for the purpose of acquiring such property in their behalf from surplus stocks. This would seem to require screening by the contracting agencies of their entire program with the Bureau of the Budget and would seriously impede the procurement of the necessary munitions of war.

Section 406 imposes on each disposal agency the responsibility of organizing advisory committees and in this respect seems to duplicate facilities already available within the War Production Board.

Section 407 requires circularization prior to disposition of any surplus property of detailed inventories thereof to the Bureau of the Budget, the Smaller War Plants Corporation, and the Foreign Economic Administration. This is believed to be impracticable. Furthermore, this section appears to authorize the Bureau of the Budget to acquire property on behalf of the War Department and to commit its appropriations. The War Department does not believe that the Bureau of the Budget should be given operating powers of this description.

Section 408 contains provisions restricting the disposition of surplus property. Paragraph (a) requires all disposition to be made after advertisement and competitive bidding unless the head of the disposal agency certifies that disposal by some other means would better effectuate the policy of the act. Paragraph (b) prohibits sale or other transfer of surplus property unless the disposal officer certifies in writing to certain findings as to the economic effect of the sale or transfer. Paragraph (c) prevents the disposition of a plant or group of plants representing a cost to the Government of $5,000,000 or more until an opportunity is afforded the Attorney General to render an opinion on the subject. Paragraph (d) requires that every contract for the disposition of a plant shall reserve to the Government the right to rescind the contract in the event that the transfer fails to maintain the plan in operation for 3 years. Paragraph (f) requires the disposal officer to notify the Smaller War Plants Corporation prior to disposition of any property. Taken altogether it is believed that these restrictions would effectively prevent any substantial disposition of surplus property.

Section 411 raises a number of difficult questions. It is not clear whether it intends to cover Government-owned extensions or additions to contractor-owned plants as well as wholly Government-owned plants; whether it intends to cover production of parts and components; whether it intends to forbid the disposition of plants in connection with war production; whether it intends to prohibit any temporary lease or use of such plants until Congress acts. The wisdom of such a prohibition seems doubtful.

Section 412 will likewise create serious difficulties. This provision may be sound with respect to entire plants but is obviously unsound if applied to property which is consumed or destroyed by being used and is unduly cumbersome for many other types of property. In addition many special types of tools, dies, and equipment designed for war production and many other special products for war uses will have no use or value for civilian purposes. The reduction of this property to scrap should be encouraged rather than restricted. Finally, in its application to military property such a provision might have extremely undesirable consequences. In this connection the War Department believes that surplus military property should not be disposed of without consultation with the War and Navy Departments.

All of the foregoing restrictions would, of course, be especially objectionable if made applicable to termination inventories or to the disposition of surplus property for purposes of facilitating war production.

With respect to title V of the proposed legislation, the War Department does not desire to comment upon the merits of the provisions therein contained. It does desire, however, to invite attention to the fact that the provisions of title V overlap in some respects the provisions of S. 1767, which has been passed by the Senate, and is now being given consideration by the House Committee on World War Veterans' Legislation.

Accordingly, the War Department recommends that legislation of the nature proposed be not enacted at this time.

This Department is unable to estimate the fiscal effect of enactment of S. 1823.

The Department has not been advised by the Bureau of the Budget as to the relation of this legislation to the program of the President.

Sincerly yours,

_____ _____,
Secretary of War.

MAY 4, 1944.

Hon. JAMES E. MURRAY,
War Contracts Subcommittee, Committee
on Military Affairs of the United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: You have asked the War Department to comment on S. 1730, upon which public hearings are now being held. The War Department does not favor the passage of the bill in its present form.

Title I of the bill provides for the creation of an Office of Demobilization with broad powers over war production and reconversion. This office is to be separate from the Office of War Mobilization established by Executive Order 9347, dated May 27, 1943, but until the termination of hostilities is to be subject to the supervision, direction, and control of that office. Provision is made for a National Demobilization Board and for consultation with representatives of industry, labor, agriculture, and for public sessions with members of the general public.

While the bill places the Office of Demobilization under the supervision, direction, and control of the Office of War Mobilization during the war, we do not think that this arrangement is entirely sound. The process of war production and procurement and of contract termination and disposition of surplus property

The provisions of title IV of the bill deal with surplus war property disposition. Provision is made for the establishment of a Surplus War Property Administration, headed by an Administrator and a board upon which are included representatives of 14 specified agencies and the 9 members of the National Production-Employment Board. The addition of the members of that Board to a body already large could not fail to impair its usefulness.

In general the provisions of title IV fail to accomplish the primary requisite of any legislation dealing with the subject of surplus war property disposition in that they do not contain any clear grant of authority to dispose of surplus property. The proposed legislation contents itself with the enactment of certain restrictions and the promulgation of certain policies. It is believed that a basic grant of authority is needed, especially in view of the fact that some of the legislation under which disposition of surplus property is now being made is of limited duration. This title is likewise objectionable in that it fails to reserve to the contracting agencies power to dispose of termination inventory and to make any disposition of surplus property which in the judgment of the agency is required to facilitate the prosecution of the war. Unless the power to make such disposition is reserved the prosecution of the war would be impeded, and termination settlement greatly delayed.

It is likewise believed desirable that any pending legislation should clarify the relation of the contracting agencies and the disposal agencies and should indicate that the disposal agencies have responsibility to take physical possession of surplus property at the request of the contracting agencies.

The legislation is likewise defective in failing to define surplus property as property declared surplus by a contracting agency. The absence of such definition may create confusion and be harmful to the efficient conduct of the war.

Section 403 of the proposed enactment contains what appears to be an iron-clad proviso requiring surplus war property located outside of the United States or to be disposed of outside the United States, to be assigned for disposition to the Foreign Economic Administration. It is believed that this provision may interfere with military operations overseas and may prove otherwise impracticable.

Section 405 imposes upon the Director of the Bureau of the Budget the duty to receive and review the property requirements of Government agencies for the purpose of acquiring such property in their behalf from surplus stocks. This would seem to require screening by the contracting agencies of their entire program with the Bureau of the Budget and would seriously impede the procurement of the necessary munitions of war.

Section 406 imposes on each disposal agency the responsibility of organizing advisory committees and in this respect seems to duplicate facilities already available within the War Production Board.

Section 407 requires circularization prior to disposition of any surplus property of detailed inventories thereof to the Bureau of the Budget, the Smaller War Plants Corporation, and the Foreign Economic Administration. This is believed to be impracticable. Furthermore, this section appears to authorize the Bureau of the Budget to acquire property on behalf of the War Department and to commit its appropriations. The War Department does not believe that the Bureau of the Budget should be given operating powers of this description.

Section 408 contains provisions restricting the disposition of surplus property. Paragraph (a) requires all disposition to be made after advertisement and competitive bidding unless the head of the disposal agency certifies that disposal by some other means would better effectuate the policy of the act. Paragraph (b) prohibits sale or other transfer of surplus property unless the disposal officer certifies in writing to certain findings as to the economic effect of the sale or transfer. Paragraph (c) prevents the disposition of a plant or group of plants representing a cost to the Government of $5,000,000 or more until an opportunity is afforded the Attorney General to render an opinion on the subject. Paragraph (d) requires that every contract for the disposition of a plant shall reserve to the Government the right to rescind the contract in the event that the transfer fails to maintain the plan in operation for 3 years. Paragraph (f) requires the disposal officer to notify the Smaller War Plants

Corporation prior to disposition of any property. Taken altogether it is believed that these restrictions would effectively prevent any substantial disposition of surplus property.

Section 411 raises a number of difficult questions. It is not clear whether it intends to cover Government-owned extensions or additions to contractor-owned plants as well as wholly Government-owned plants; whether it intends to cover production of parts and components; whether it intends to forbid the disposition of plants in connection with war production; whether it intends to prohibit any temporary lease or use of such plants until Congress acts. The wisdom of such a prohibition seems doubtful.

Section 412 will likewise create serious difficulties. This provision may be sound with respect to entire plants but is obviously unsound if applied to property which is consumed or destroyed by being used and is unduly cumbersome for many other types of property. In addition many special types of tools, dies, and equipment designed for war production and many other special products for war uses will have no use or value for civilian purposes. The reduction of this property to scrap should be encouraged rather than restricted. Finally, in its application to military property such a provision might have extremely undesirable consequences. In this connection the War Department believes that surplus military property should not be disposed of without consultation with the War and Navy Departments.

All of the foregoing restrictions would, of course, be especially objectionable if made applicable to termination inventories or to the disposition of surplus property for purposes of facilitating war production.

With respect to title V of the proposed legislation, the War Department does not desire to comment upon the merits of the provisions therein contained. It does desire, however, to invite attention to the fact that the provisions of title V overlap in some respects the provisions of S. 1767, which has been passed by the Senate, and is now being given consideration by the House Committee on World War Veterans' Legislation.

Accordingly, the War Department recommends that legislation of the nature proposed be not enacted at this time.

This Department is unable to estimate the fiscal effect of enactment of S. 1823.

The Department has not been advised by the Bureau of the Budget as to the relation of this legislation to the program of the President.

Sincerly yours,

_____,
Secretary of War.

MAY 4, 1944.

Hon. JAMES E. MURRAY,
War Contracts Subcommittee, Committee
on Military Affairs of the United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: You have asked the War Department to comment on S. 1730, upon which public hearings are now being held. The War Department does not favor the passage of the bill in its present form.

Title I of the bill provides for the creation of an Office of Demobilization with broad powers over war production and reconversion. This office is to be separate from the Office of War Mobilization established by Executive Order 9347, dated May 27, 1943, but until the termination of hostilities is to be subject to the supervision, direction, and control of that office. Provision is made for a National Demobilization Board and for consultation with representatives of industry, labor, agriculture, and for public sessions with members of the general public.

While the bill places the Office of Demobilization under the supervision, direction, and control of the Office of War Mobilization during the war, we do not think that this arrangement is entirely sound. The process of war production and procurement and of contract termination and disposition of surplus property

are so intimately related during the war that the creation of a separate demobilization office, even under the Office of War Mobilization, is likely to raise practical difficulties. On the other hand, the creation of a statutory agency with power over all war production and reconversion problems is of doubtful wisdom. Such an agency would duplicate the functions now being performed by a number of agencies, including the Office of War Mobilization, Surplus War Property Administration, and the War Production Board. The War Department fears that confusion may result which would be harmful to the war effort.

The following specific comment is offered on the provisions of the bill:

Section 103: The War Department believes that it would be desirable to have the Demobilization Board composed of representatives of the Departments primarily interested in war mobilization and demobilization. This would insure close and constant coordination between the operating agencies and the Director.

Section 105 (c): It is questioned whether this section would not require too much time to be spent in consultation with various private organizations. The provision that the Director and the Board should hold public sessions is believed to be unworkable.

Section 106 (b): While the creation of a joint congressional committee seems desirable, its functions under subsection (b) are open to question. There can be no objection to frequent reports from the Director to the joint committee, but the requirement that he confer with the committee concerning matters of broad general policy and the provision for attendance by the committee or its representative at meetings of the Board are likely to inject the committee too much into the actual operations of the demobilization agency.

Section 202 (c): A complete survey of all Government property is impracticable and unnecessary for formulating programs for the disposition of surpluses. Any such inventory would involve serious administrative problems in view of the constant flow of war materials and the information obtained would be so out of date as to be useless for planning purposes. Adequate data for such purposes can be obtained without undue difficulties by sampling and other statistical methods.

Section 204: This entire section requires careful revision. In this connection the War Department recommends the adoption of the provisions of S. 1718 as redrafted and contained in the report of the Senate Military Affairs Committee.

Section 206: This entire section is believed to require recasting. Its provisions attempt to state certain very general policy considerations so definitely that they may affect the title to items of surplus property transferred. Paragraph (a) if literally construed seems to be impracticable. Paragraph (d) does not define the term "speculator," and might affect the title to property. Paragraph (e) might have the effect of requiring the Government to retain low-cost plants. Paragraph (f) might affect the title to property transferred. Paragraph (i) raises a number of difficult questions. It is not clear whether it intends to cover Government-owned extensions or additions to contractor-owned plants as well as wholly Government-owned plants; whether it intends to cover production of parts and components; whether it intends to forbid the disposition of plants in connection with war production; whether it intends to prohibit any temporary lease or other use of such plants until Congress acts. Likewise, paragraph (j) will create difficulties. This provision may be sound with respect to entire plants, but is obviously unsound if applied to property which is consumed or destroyed by being used, and is unduly cumbersome for many other types of property. In addition, many special types of tools, dies, and equipment designed for war production and many other special products for war uses will have no use or value for civilian purposes. Much of this property should be reduced to scrap without delay. Finally, in its application to military property such a provision might have extremely undesirable consequences. In this connection the War Department believes that surplus military property should not be disposed of without consultation with the War or Navy Departments.

The provisions of title 111 of the act have been the subject of much consideration by the Senate Special Committee on Post-war Economic Policy and Planning, as well as by your committee. The War Department believes that the provisions incorporated in the redraft of S. 1718 attached to the report of the Senate Military Affairs Committee are preferable to those contained in S. 1730.

The same comment may be made with reference to title IV of the bill.

The War Department has urged the speedy passage of legislation on this subject. It is believed that S. 1718, as now revised, incorporates the best thought and consideration which has been given to this subject, and it is believed that its enactment should be expedited and not delayed because further consideration may be desired with respect to other subjects covered by S. 1730. In addition to the passage of S. 1718, the War Department believes that legislation conferring clear authority on the contracting agencies to dispose of termination inventory and surplus property is desirable. If S. 1730 were revised so as to deal adequately with that subject its passage would be helpful.

Accordingly, the War Department recommends that S. 1730 in its present form be not enacted at this time.

This Department is unable to estimate the fiscal effect of enactment of S. 1730.

The Department has not been advised by the Bureau of the Budget as to the relation of this legislation to the program of the President.

Sincerely yours,

———— ————,
Secretary of War.

OFFICE OF WAR MOBILIZATION,
SURPLUS WAR PROPERTY ADMINISTRATION,
Washington, D. C., April 12, 1944.

HON. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
United States Senate, Washington, D. C.

MY DEAR SENATOR REYNOLDS: By letter dated March 31, 1944, you have requested the views of this Administration with regard to S. 1815, to provide for distribution of surplus war materials through domestic lend-lease to States and their political subdivisions and instrumentalities thereof.

The principal purpose of the bill is to require that surplus war property, if not needed by any agency of the Federal Government, shall be disposed of to State governments or subdivisions or instrumentalities thereof by grant or loan whenever it can be used for various public purposes specified in the bill.

This subject is certainly one upon which the will of Congress should at some appropriate time be expressed by legislation. Congress may well feel that State governments and other tax-supported institutions should have preferential rights as to the acquisition of surplus war property. Such preferential rights, if granted, could involve a prior right to purchase before commercial buyers were given an opportunity, or, in addition, could involve a reduction in price or even an outright gift. Unless guided by an expression of congressional intent, this Administration would, of course, be in no position to go any further than to give tax-supported institutions a right to purchase, ahead of commercial purchasers, at the same price at which transfers could be made between agencies of the Federal Government. If any price reduction or gift is to be involved, such a policy can only be enunciated by Congress.

Since any such legislation involves a potential loss of revenue to the Federal Treasury, the desires of Congress should be expressed in the clearest terms. For instance, if it is desired that surplus Government property should be given to tax-supported institutions, this should be clearly stated. The terms "grant or loan" in the bill would appear to present a difficult problem for any administrator, in this connection.

In addition, it should be noted that numerous suggestions have been made, both in and out of Congress, as to various classes of prospective purchasers or donees of surplus property to whom Congress might deem it desirable to grant preferential rights of one sort or another. Among these may be mentioned returning veterans, prior owners of land acquired by the Government for war purposes, educational institutions, charitable institutions, and the like. It would seem impossible to administer any system of preferential rights which Congress may desire unless their relative priorities and the nature of their preferential rights are clearly set forth by legislation. For that reason, among others, this Administration would prefer to see legislation on the subject of the disposition of surplus war property deferred until time and experience have enabled it to make intelligent legislative recommendations on the subject.

The proposad bill exemplifies a second reason why it would seem preferable to handle the subject of surplus property disposal in a single comprehensive piece of legislation. If orderly disposal is to take place, it should be supervised by a single agency which can deal with all of the complex problems involved, rather than by separate agencies handling different but related parts of the problem. In other words, whatever agency Congress chooses for the administration of surplus property disposition on a policy level should be given full jurisdiction and responsibility. S. 1815, in setting up an agency to deal only with the distribution of surplus property to State governments, their subdivisions and instrumentalities, would appear to depart from this principle.

The Bureau of the Budget advises me that it has no objection to the submission of this report.

Sincerely yours,

W. L. CLAYTON, *Administrator.*

OFFICE OF WAR MOBILIZATION,
SURPLUS WAR PROPERTY ADMINISTRATION,
March 29, 1944.

HON. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs, United States Senate,
Washington, D. C.

MY DEAR SENATOR REYNOLDS: By two letters dated March 22, 1944, you have requested the views of this Administration with respect to two bills, S. 1775 and S. 1794.

The basic problem is whether, in the disposition by the Government of surplus land acquired for war purposes, a preferential opportunity to repurchase should be given to the former owners.

It is the position of this Administration that the granting of preferential treatment to any class of prospective purchasers of surplus Government property is exclusively a matter for congressional determination. Many conflicting claims for such treatment will be made, and those charged with the responsibility for disposal must have congressional guidance and must adhere to a policy of equal treatment for all in the absence of a congressional mandate to the contrary.

It is my personal view that Congress might wel lpass legislation designed to enable former owners to repurchase land which the Government has acquired from them for war purposes. I suggest, however, that there are a number of problems which should be considered in connection with any such legislation, and which the bills in question do not appear to take in account. Among these are the following:

1. After acquisition by the Government land may have been subjected to various types and degrees of improvement. In many instances land acquired from various owners will have been combined into one unit and structures ranging from barracks to large industrial plants erected. It is not believed that a statutory provision which would prohibit or retard the sale of such property as a unit would be in the public interest.

2. In numerous instances option provisions have bound the Government to sell existing plants, including the land on which they are located, to the contractors now operating them, if those options are exercised in accordance with their terms. It is presumably not intended to attempt to invalidate such options by the proposed legislation, and a statement that contract rights are to be respected would seem to be appropriate.

3. Other reasons of policy or of price, not now specifically predictable, may arise in which the public interest would not be served by a firm requirement to deal first with the former owner.

Because these problems do not seem to me to be susceptible of being covered by mandatory statutory language, particularly since it is impossible to foresee all of the specific situations which are likely to arise, I would suggest that any legislation on the subject should, within the limits of the policy set forth in the statutes, leave a considerable latitude of administrative discretion in the agency charged with disposal.

Certain other difficult problems exist which are treated differently in the two bills. S. 1794 bases the repurchase price on the price originally paid by the Government; this seems sound to me, since I think that the disposal agencies should at least be free to negotiate with others if the former owner is not willing to pay what he received for the property. The 90-day time limit in S. 1794 also seems to be preferable, since it would be undesirable to tie up the sale of surplus land for any extended period; in some cases even the 90-day period might be too long. As to the question whether the proposed legislation should apply to land, however acquired, as in S. 1794, or only to land acquired by condemnation, as in S. 1775, I express no opinion, but merely point out that somewhat different considerations may be involved in the case of a genuinely voluntary original sale to the Government.

It is difficult to estimate the administrative problem which would be involved in carrying out the provisions of either of the bills in question, but I am sure your realize that they would be very substantial. The Bureau of the Budget advises me that there is no objection to the submission of this report.

Sincerely yours,

W. L. CLAYTON, *Administrator.*

OFFICE OF WAR MOBILIZATION,
SURPLUS WAR PROPERTY ADMINISTRATION,
Washington, D. C., May 3, 1944.

HON. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

MY DEAR SENATOR MURRAY: Referring to your letter of April 27, 1944, which discusses my report on Senator Lucas' bill in favor of former owners of land:

While my proposed statement before your subcommittee on May 5, 1944, does not go into any detail on this subject, I will be very glad to give you any views I have at that time. With your permission, however, I should like to defer any suggestions as to specific amendments to S. 1794 until after that meeting, since it is my hope, as I plan to testify, that such legislation as Congress may desire to enact as to preferences to be given to various classes of prospective purchasers can be put together into a single act, rather than being passed piecemeal.

Very truly yours,

W. L. CLAYTON, *Administrator.*

APRIL 27, 1944.

MR. WILLIAM L. CLAYTON,
Administrator, Office of War Mobilization,
Surplus War Property Administration, Washington, D. C.

DEAR MR. CLAYTON: Your report of March 29, 1944, relative to S. 1794 has been transmitted to my subcommittee. Your comments on the difficulties in effectuating the principles advocated by Senator Lucas in his bill are exceedingly welcome since they point out practical difficulties that will have to be faced before a measure of this type can be reported. I am looking forward to your discussion of the entire problem raised by S. 1794 in your testimony before the subcommittee on the 5th of May.

At the same time, I should appreciate your submitting to the committee such amendments to S. 1794 as will, in your opinion, make the measure entirely practicable.

Your cooperation in this respect will be greatly appreciated.

Sincerely,

JAMES E. MURRAY,
Chairman, War Contracts Subcommittee.

WAR DEPARTMENT,
Washington, D. C., February 23, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs, United States Senate.

DEAR SENATOR REYNOLDS: The War Department is not opposed to the basic principle of S. 1478, Seventy-eighth Congress, a bill to provide for the conservation and proper disposal of surplus war properties, and for other purposes, but is not in agreement with a number of its provisions.

Section 1 of this bill recites generally the reasons for its enactment; namely, to facilitate the prompt and maximum utilization of surplus war properties in such manner and under such conditions as will aid the maximum employment, the establishment of war veterans in their own business enterprise, the encouragement of small business concerns, and the solution of sectional economic problems.

Section 2 provides for the appointment by the President of an Administrator of Surplus War Properties.

Section 2 (b) provides that when the President or the head of any agency determines that any property of the United States is surplus to the needs or functions of the agency, all legal right, title, and interest to the property shall become vested in the Administrator and its custody and disposition shall be subject to his exclusive control. This section further provides, however, that the Administrator may utilize the facilities and services of the agency which acquired or controlled the property.

Section 2 (c) authorizes the Administrator to acquire from any executive department any information with respect to Government property controlled by the Department, and to require the Department to transfer to the Administrator any property which he determines to be surplus on the basis of such information. If the head of the agency declines to comply with the requirements, the Administrator shall certify his findings and recommendations to the President, who shall make a determination as to whether the property is surplus.

Section 3 provides that upon the acquisition of title to the property, the Administrator shall determine the uses to which it may be put, and determine whether it is suitable for retention and use by the United States. He may allocate property which he finds to be suitable among the departments and agencies of the Government.

Property not found to be suitable for use by the Government shall be disposed of by the Administrator who shall give preference in the disposition first to establish or aid war veterans in independent business, and, second, to establish or aid small business concerns. The Administrator is to determine what constitutes a small business concern.

The Administrator is authorized in selling property to veterans or small business concerns to arrange for the extension of credit to the purchaser in such manner as he determines will carry out the purposes of the act, and may direct other agencies of the Government to extend credit or otherwise participate in the transaction.

Section 4 provides that the Administrator shall establish rules and regulations binding upon all executive departments and agencies to enable him to carry out his duties and functions.

Section 4 (b) provides that the Administrator is authorized to use, manage, and operate all surplus property under his control in such manner and upon such conditions as will properly preserve or care for the property or otherwise carry out the purposes of the act.

Section 5 authorizes the appropriation of necessary funds.

Section 6 establishes the Surplus War Properties Committee, composed of five Members of the Senate, and five Members of the House, for the purpose of making a study of the problems of surplus war properties and of the operation of the act. The committee is required to report to the Congress not later than 6 months after the effective date of the act, to hold such hearings, and employ such assistants as it deems advisable.

Section 7 requires the Administrator to render monthly reports to Congress as to the properties acquired by him and the disposition thereof.

Section 8 defines surplus war properties as including all property, both real and personal, which was acquired or used in connection with the prosecution of the war, but not including properties requisitioned by the President for wartime operation by the Government as a result of a labor dispute or for noncompliance with any provision of law.

With respect to section 2 of the bill, which provides that the President shall appoint an Administrator of Surplus War Properties, the War Department favors the centralization in some agency of the Government of the responsibility for the disposition of surplus war materials and property, both real and personal. The Department is not at this time prepared to take any position with respect to the advisability of the creation of a new agency rather than the utilization of an existing agency of the Government, but it is considered essential in the interests of the prosecution of the war and for the proper performance of the functions of the War Department after the cessation of hostilities that any central disposal agency should operate with respect to War Department property in accordance with the following principles:

(*a*) Surplus would be defined as including all real estate and improvements thereof, all industrial materials and equipment, all military supplies and equipment, and all items of scrap and salvage, which the War Department reports to the central agency as no longer required to meet the needs of and responsibilities vested in the War Department.

(*b*) The War Department would not declare as surplus property (i) any real estate, plant, industrial materials, or industrial equipment needed for its own operation, (including reserves and stand-by facilities and equipment) or in the operations of contractors or subcontractors engaged in war production, (ii) items which may be disposed of as a part of contract terminations under policies established by appropriate authority, (iii) items of property held overseas which are determined by appropriate authority as desirable for disposal there and not for return to the United States, or (iv) any items of property required for such relief measures as are necessarily a part of military operations.

(*c*) The War Department would report promptly to the central agency such items as become surplus property under the above definition. The central agency would thereupon take possession, accountability and full responsibility for any further maintenance, utilization, removal, protection, storage or sale or other disposition of the property, the central agency to consult with the Department as to disposition of any property of special military significance. The War Department would retain the right to remove and store materials and equipment which must be promptly removed from its own premises or those of its contractors or subcontractors to permit immediate conversion of such premises to other uses, if and when the central agency was not prepared to move and store such property. The central agency would be authorized to utilize existing War Department facilities for the conveyance of title to surplus real estate and improvements thereof.

(*d*) The War and Navy Departments would retain for the duration of the war the right to exchange stores and property as they may determine necessary in prosecuting the war.

Paragraph 2 (c) of S. 1478 would not be consistent with the above principles as it would allow the Administrator of Surplus War Properties to make the initial determination that War Department property is in fact surplus to its needs. It is plain that no outside agency will be in a position to make a proper determination as to the need for military property and munitions of war. As a matter of sound administration, moreover, it is believed that the determination whether a particular item is no longer needed by a department or agency must remain the responsibility of the department or agency concerned.

It is not considered advisable that the provisions of section 3 with respect to preferences to be followed by the central agency in the disposition of property should be embodied in legislation. In most cases the requirement that the disposal agency sell property in accordance with a fixed preference would be impracticable of administration in that it would cause substantial delay in the disposition of the property, would create considerable administrative expense, and would

render it impossible for the central agency to exercise the discretion which will be essential to effect the sale of the many types of property which will be involved, in the best interest of the economy as a whole.

It is suggested that the provisions of section 3 (d) regarding the extension of credit to small business concerns and war veterans should be eliminated. Any appropriate aid to veterans should be provided by general legislation apart from the handling of surplus-property sales, and any Government assistance in industrial financing which may prove necessary should be handled as a problem of industrial reconversion in general and not as an adjunct of property disposition. In any event, provisions for the extension of credit should not be limited to preferred classes of purchasers, since some credit arrangement may be desirable in connection with any sale.

The provision in section 3 (d) that all other Government agencies must comply with any directives issued by the Administrator with respect to credit arrangements would be confusing as it would apparently override fixed policies or even the statutory authority of the other agencies.

As presently worded, S. 1478 provides that it shall take effect immediately upon enactment. In order to preserve the existing authority of the War Department to dispose of properties promptly in furtherance of the war effort it is believed that the measure should make clear that, for the duration of the present emergency, nothing therein contained shall alter or amend the existing disposal powers of the War Department.

The War Department is unable to estimate the fiscal effect of enactment of the proposed legislation.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

ROBERT P. PATTERSON,
Acting Secretary of War.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., December 7, 1943.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
United States Senate, Washington, D. C.

MY DEAR SENATOR REYNOLDS: The Honorable James F. Byrnes, Director of the Office of War Mobilization, has referred to me the letter which you addressed to him on October 29, 1943, requesting the views of his office concerning S. 1478, a bill to provide for the conservation and proper disposal of surplus war properties, and for other purposes.

My letter to you of November 6, 1943, in connection with Senate Resolution 195 expresses quite fully the views of this office with respect to the continuing problem of equipment and supply management in the executive establishment.

I would reiterate that section 1 of H. R. 2795 now pending in the Senate, which would add a new title to the Budget and Accounting Act of 1921, would provide the essential legislative foundation for efficient management of our equipment and supplies, including the disposal of such surplus personal property as would accrue from the normal peacetime operations of the Federal Government. I would further urge that upon such a foundation the necessary special measures to insure wise handling of the war surpluses can be developed and better fitted into the general scheme of Government operations.

I am now convinced that because of the lapse of time, the growing urgency of the war surplus problem, and perhaps for other reasons, the approach to the war surplus problem contemplated in H. R. 2795; namely, through a special joint committee of the Congress which would explore the problem and develop the necessary policy guides, is no longer a practical approach. It would seem to me that the provisions of section 6 of S. 1478 which would establish a somewhat similar "surplus war properties committee" are subject to the same objections on the grounds of impracticability. I do not believe that there is any need or justification for creating within the executive branch of the Government any new agency or any central operating agency to dispose of the war surplus properties, real or personal. When and as disposal policies are determined the existing agencies such as the corporations in the Department of Commerce, the Procurement Division in the Treasury Department, and others, can be utilized very effectively in executing such disposal policies.

My suggestion would be that Congress establish an over-all policy board, comprised of representatives of the Government, industry, labor, agriculture, and the unorganized general pubic, to assemble the facts concerning probable war surpluses, to point up the questions of major policy arising therefrom, to report frequently to the Congress with recommendations for additional legislation which will undoubtedly be necessary in connection with some segments of the surplus inventories, and to guide the existing executive agencies in their disposal operations. Such a board would be necessary for perhaps 3 to 5 years following the close of the war. It is critically needed at this moment since very sizable surpluses of goods severely needed in our civilian economy are already appearing.

It would seem to me that provision for such a board might readily be written into H. R. 2795 in lieu of sections 3 and 4 of that bill as it is now before the Senate.

S. 1478 in its section 3 attempts to prescribe certain principles to be applied to the disposal of war surpluses. It provides first for allocation of such surplus property among the departments and agencies of the Federal Government. I note that in providing for such allocation the text does not make it clear that the receiving departments and agencies shall pay for such property from their available appropriations. To supplement their appropriations by donation of such surpluses, as happened following the last war, would not only induce wasteful requisitioning but would completely nullify the budgetary and appropriating practices of both the executive establishment and the Congress.

After Federal Government needs were taken care of, the bill would next make these surplus properties available to veterans and small businessmen. I am inclined to feel that after the needs of the Federal Government are met second consideration might well be given to State and local governmental needs since these agencies are also supported by the same general body of taxpayers. In general, I doubt that either the Congress or the Executive is prepared immediately to set out all the principles which should be applied to the disposal of these surpluses. I think such principles will evolve through the executive mechanism which I have suggested in the foregoing and through the normal activities of the various standing committees of the House and Senate.

Sound constructive action need not, in my judgment, await the complete development and enunciation of such principles. To whatever extent the Congress is prepared to express them, they also might well be written into H. R. 2795 with recognition that supplementary legislation will from time to time be found vitally necessary.

As in the case of my letter of November 6, I have again in this letter found it necessary to refer at some length to a bill pending before the Senate Committee on Expenditures in the Executive Departments. I, therefore, am sending a copy of this letter to Senator Lister Hill as chairman of that committee. Copy is being sent also to Director Byrnes of the Office of War Mobilization.

Very truly yours,

HAROLD D. SMITH, *Director.*

GENERAL ACCOUNTING OFFICE,
Washington, November 24, 1943.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Further reference is made to your letter of November 11, 1943, acknowledged November 12, requesting the views of this office on bill S. 1478, Seventy-eighth Congress, entitled "A bill to provide for the conservation

and proper disposal of surplus war properties, and for other purposes." A companion bill, H. R. 3580, was introduced in the House of Representatives November 1, 1943.

The purpose of the proposed legislation, as set out in section 1 of the bill, is—

"* * * to facilitate the prompt and maximum utilization of all surplus war properties in such manner and under such conditions as will aid (a) maximum employment of the Nation's labor resources, (b) war veterans to establish or maintain their own business enterprises, (c) small business concerns to preserve and strengthen their competitive position in an economy of free enterprise, and (d) in solving such economic needs and conditions as may exist in particular geographical locations of the country."

Briefly, the bill would provide that the President, by and with the advice and consent of the Senate, shall appoint an Administrator of Surplus War Properties for a term of 4 years; that the Administrator may employ such officers and employees as necessary in carrying out his duties; that when the President or the head of any executive department or agency determines that "any property of the United States used, or held, in connection with the prosecution of the war, or otherwise," has become surplus, the title to such property shall vest in the Administrator and the property shall be subject to his exclusive control; that he may allocate such property among the departments and agencies of the Government and may sell or otherwise dispose of all such property found by him to be unsuitable for use by the United States "upon such conditions as will, in his judgment, best effectuate the purposes of this act, without necessary regard to the provisions of law relating to bidding and public advertisement and sale of Government property"; that in disposing of such property as found to be unsuitable for retention by the United States, the Administrator shall determine whether the same can be used "to establish or aid any war veteran in an independent business enterprise" or "to establish or aid a small business concern to maintain itself in business," and disposition of such property must not be "inconsistent with such determination"; that the Administrator may arrange for the extension of credit to such veterans or small business concerns by the Smaller War Plants Corporation or any other existing agency of the Government at a rate of interest not exceeding 3 percent per annum; that the Administrator shall establish rules and regulations to carry out his duties and functions; that during the period of his ownership and control of surplus property, the Administrator is authorized "to use, manage, and operate the same;" and that he shall render monthly written reports to the Congress with respect to the surplus property acquired and disposed of by him, together with his recommendations. The bill would authorize the appropriation of such sums as necessary or appropriate to carry out its purposes.

Further, the bill would establish a Surplus War Properties Committee to be composed of five Members of the Senate and five Members of the House of Representatives to study the matter of surplus war properties and "the operation of this act" with a view to recommending amendments, etc., which committee would be authorized to hold hearings and would be required to report to the Senate and House of Representatives not later than 6 months after the effective date of the act. The expenses of the committee would be paid from the contingent funds of the Senate and the House of Representatives.

Section 8 (a) of the bill defines "surplus war properties" as including—

"* * * any supplies, materials, equipment, plants, real estate or other property, tangible or intangible, owned or controlled by the United States or by or in behalf of any department, agency, corporation, or other establishment of the Government which was acquired or used in connection with the prosecution of the present war and which, pursuant to this act, is determined to be surplus to the need, function, activity, or project in connection with which it was acquired or accrued but shall not include any properties taken over or requisitioned by the President or under his authority pursuant to his emergency powers for wartime operation by the Government as the result of a labor dispute or for noncompliance with any provision of law or Executive direction."

In order to make clear the position of this office with respect to the subject bill, S. 1478, it seems desirable first to discuss briefly certain other proposed legislation which has been considered recently. This office, together with other governmental agencies, collaborated with the Committee on Expenditures in the Executive Departments of the House of Representatives in the consideration of bill H. R. 1610, Seventy-eighth Congress, which bill, as indicated in the hearings thereon held before that committee during February and March 1943, was introduced by Representative O'Leary for the primary purpose of complying with the suggestion of the President contained in his message to the Congress dated November 30, 1942, with respect to the more efficient utilization of materials, supplies, equipment, and other property in the possession or under the control of governmental agencies. As a consequence of such collaboration, there was introduced another bill, H. R. 2795, Seventy-eighth Congress, superseding H. R. 1610. The said bill H. R. 2795 passed the House of Representatives June 9, 1943, and is now pending in the Senate Committee on Expenditures in the Executive Departments. House Report No. 507, Seventy-eighth Congress, accompanying H. R. 2795, contains much information with respect to the general problems of utilization of Government property and the disposition of surplus property, together with a brief history of recent efforts to solve those problems.

The said bill H. R. 2795 is intended to make permanent provision for the more efficient utilization and disposition of Government property, other than land and buildings and facilities or fixtures appurtenant thereto, in time of peace as well as war, through existing Government agencies. However, in section 4 thereof, provision would be made for the establishment of a Surplus War Property Committee to be composed of five Members of the Senate and five Members of the House of Representatives for the purpose of studying the problem of war property, real and personal, expected to be surplus at the end of the present war, and reporting to the Senate and House of Representatives with its recommendations as to necessary legislation and administrative action relative to the disposition of such surplus property. In this connection it is stated at page 15 of the above-mentioned House Report No. 507—

"Recognizing that legislation necessary to deal effectively with these war surpluses should be enacted only after most thorough study and investigation, and recognizing also the urgent necessity of enacting the general program of property management provided by H. R. 2795, the committee has added sections 3 and 4 to permit enactment of the general program and at the same time provide for the necessary study of the war-surplus problem, and the development of legislation to deal comprehensively with that problem."

The subject bill, S. 1478, on the other hand, would establish a new Government agency (the Administrator of Surplus War Properties) apparently as a temporary measure for the disposition of surplus war property, real and personal—although it is noted that the bill would fix the term of the Administrator at 4 years, and that section 2 (b) refers to property "used, or held, in connection with the prosecution of the war, or otherwise."

It is to be observed, also, that the bill S. 1478 contains no provision directing or providing for the disposition of the moneys to be derived from the sale or other disposition of surplus property or for the adjustment of appropriations between departments or agencies in the event of transfer of surplus property from one department or agency to another. In this connection, attention is invited to the following pertinent provisions contained in the above-mentioned bill, H. R. 2795 (in the proposed new section 258, page 8 of the bill):

"SEC. 258. Where property transferred or disposed of under any provisions of this title except section 259 has been acquired by the use of funds appropriated from the general fund of the Treasury and such appropriated funds are not by law reimbursable from assessment, tax, or other revenue, all proceeds derived from the transfer or sale, lease, or other disposition thereof shall be deposited and covered into the Treasury as miscellaneous receipts. Where property transferred or disposed of under any provisions of this title except section 259 has been acquired by the use of funds other than those appropriated from the general fund of the Treasury or by the use of funds appropriated from the general fund of the Treasury which are by law reimbursable from assessment, tax, or other revenue, all expenses incurred in respect of such transfer or disposition shall be deducted from the proceeds (if any), the funds bearing such expenses reimbursed in like amount, and the balance of the

proceeds (if any) credited to the reimbursable fund or appropriation or paid to the agency releasing the property. This section shall not apply to the sale with the approval of a duly authorized representative of the agency concerned of any property in the custody of a contractor or subcontractor under a cost-plus-a-fixed-fee contract or subcontract which authorizes the crediting of the proceeds of such sale on the cost of the work described in such contract or subcontract."

Provisions similar to those above quoted appear essential in order to avoid unauthorized augmentation of appropriations, etc.

Summarizing, it is the view of this office that legislation of the character proposed in H. R. 2795, referred to above, is preferable to that proposed in the subject bill, S. 1478. In my report of May 5, 1943, to the chairman of the Committee on Expenditures in the executive departments of the House of Representatives on bill H. R. 2498, Seventy-eighth Congress, it was stated:

"The necessity for legislation of this character to enable the disposition of the vast stores of materials that will have accumulated and will have to be disposed of after the end of the present conflict is obvious; also, it is recognized that some general, well-organized plan of disposal should be in readiness when that time comes. However, it is not believed that there is a present urgency requiring immediate action in this respect."

In addition to providing permanent machinery for the more efficient utilization and disposition of Government materials, supplies, and equipment through existing Government agencies—a provision which seems most desirable—H. R. 2795 would provide for the careful study of the question of disposition of the war property which will be surplus at the end of the present war. On the other hand, the subject bill, S. 1478, would not provide such permanent machinery but would set up a new Government agency for the limited purpose of conserving and disposing of surplus war property—a problem which well might be the subject of further and intensive study before attempting a definite solution.

With respect to details of the bill S. 1478, the following suggestions may be made:

1. In section 3 (a), it is provided, in substance, that surplus property found by the Administrator to be unsuitable for use by the United States shall be sold or otherwise disposed of by him. It would seem desirable to include, also, such property as may be found to be in excess of the needs or requirements of the United States, as well as that found to be "unsuitable."

2. The proviso in section 3 (a), and section 3 (b), are as follows:

"* * * *Provided*, That upon each disposition of property found to be unsuitable for retention by the United States, the Administrator shall first determine whether and to the extent the same can be used (A) to establish or aid any war veteran in an independent business enterprise and (B) to establish or aid a small business concern to maintain itself in business.

"(b) No disposition of any such property shall be made which is inconsistent with such determination."

The precise duty and responsibility of the Administrator in this respect are not entirely clear, and the quoted language might be construed as requiring use of surplus property for the assistance of war veterans and small business concerns, irrespective of the interests of the United States. Probably, too, the word "the" immediately preceding the word "extent" in the above quotation (line 17, p. 4 of the bill) is intended to be "what".

3. In line 13, page 7 of the bill, the word "Statues" should be "Statutes".

For the reasons hereinbefore stated, I am unable to recommend favorable consideration of the bill S. 1478 at this time, pending further congressional action on broader legislation, such as H. R. 2795 above referred to; and if the subject bill S. 1478 is to be favorably considered for enactment at any time, I believe material amendments thereto should be made as hereinabove suggested.

Sincerely yours,

(Signed) LINDSAY C. WARREN,
Comptroller General of the United States.

SMALLER WAR PLANTS CORPORATION,
Washington, D. C., November 19, 1943.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
United States Senate.

DEAR MR. REYNOLDS: I have your letter of November 11, enclosing a copy of S. 1478 entitled, "A bill to provide for the conservation and proper disposal of surplus war properties, and for other purposes."

The primary object of the proposed bill is to create a single agency for the purpose of carrying out broad congressional policies with respect to the disposition of surplus war properties. Among others, the bill is designed, as set forth therein, to preserve and strengthen the competitive position of small business concerns in an economy of free enterprise. It goes without saying that Smaller War Plants Corporation is wholeheartedly in accord with that purpose.

Subdivision (*d*) of section 3 of the proposed bill affects Smaller War Plants Corporation directly. It provides that the Administrator of Surplus War Properties, in selling or otherwise disposing of such property to small business concerns and war veterans, may arrange through the funds of Smaller War Plants Corporation, or any other existing agency of the Government, for the extension of credit to the purchaser or user of such property or for the making or guaranteeing of such other financial arrangements as, in the judgment of the Administrator, will carry out the purposes of the act. Smaller War Plants Corporation or any other such agency is directed to comply with the Administrator's directives issued under this section.

I approve the provisions contained in subdivision (d) of section 3. However, I believe that the bill should further provide that any directive issued by the Administrator to Smaller War Plants Corporation pursuant to section 3 (*d*) shall include in each case the terms and conditions upon which Smaller War Plants Corporation shall extend credit or make or guarantee any other financial arrangements. Such provision, I feel, will help to avoid any possible conflicts which might otherwise arise between the Administrator and Smaller War Plants Corporation as to such terms and conditions.

Sincerely yours,

ALBERT M. CARTER, *Acting Chairman.*

NAVY DEPARTMENT,
Washington, April 3, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Naval Affairs,
United States Senate.

MY DEAR MR. CHAIRMAN: The bill S. 1609 "to provide for the equitable disposal and effective utilization of Government-owned surplus machine tools, and for other purposes" was referred by your committee to the Navy Department with request for views and recommendation.

The purpose of the bill is to provide for the equitable disposition and effective utilization of surplus Government-owned machine tools, and thereby to aid the national defense, the preservation and establishment of small business concerns, international trade, and vocational training. To accomplish these purposes, the bill would establish a Machine Tool Commission consisting of nine members, one each to be designated by the Secretary of War, the Secretary of the Navy, the Chairman of the Maritime Commission, and the Chairman of the Board of Directors of the Defense Plant Corporation, one from the large metal-working industry, one from the smaller metal-working industry, one from the machine-tool industry, and two from the public at large. The Chairman and Vice Chairman would be appointed by the President from the members not designated by Government agencies. The bill would authorize and direct the Commission to determine what

machine tools are surplus to the needs and functions of the several Government departments and agencies, and its determination would be final and conclusive.

The machine tools determined to be surplus by the Commission would be disposed of as follows:

1. Tools specially designed for producing munitions and not readily replaceable from the open market would be retained or redistributed among the Federal agencies.

2. New and slightly used machine tools, if of superior design or condition, not retained or redistributed under (1), would be allocated for replacements at arsenals, navy yards, and similar plants.

3. Remaining new and slightly used tools would be made available to smaller metal-working concerns upon such terms as the Commission considers appropriate to maintain in business or establish new smaller metal-working concerns, with preference to war veterans. The Commission would be given power to arrange credit and guarantee financial arrangements. An interest rate of 3 percent is specified, and the Government would be given a right to repossess the tools within 10 years for war purposes. As a part of the disposition of the tools in this class, a survey of the machine-tool capacity and the potential capacity of the smaller metal-working concerns of the country would be made and published.

4. After the above dispositions, the remaining tools would be made available to public schools without charge, for use in vocational training.

5. Any tools not disposed of under any of the above provisions would be available for sale, exchange, lease, or other disposition to friendly nations and their nationals, subject to licenses to be issued by the Secretary of State.

The Commission would continue in existence for 3 years after cessation of hostilities, and any tools remaining at that time are to be broken up as scrap, by and at the expense of the Federal agencies having cognizance. The scrap thus generated would be sold on the domestic market and exportation would be prohibited.

It is the opinion of the Navy Department that machine tools should not be singled out for attention apart from other surplus property, and that the disposition of surplus property of all types should be under unified direction. The disposition of machine tools by an independent commission is considered likely to result in the adoption of conflicting policies with the attendant confusion and delay in carrying out industrial mobilization.

The provisions of the bill establishing preferences in favor of war veterans are considered unworkable in their present form. It is felt that the desired results can be secured to better advantage in legislation dealing primarily with the administration of aid to veterans.

The provision of the bill giving the Commission the right to determine which tools are surplus would prevent necessary transfers of machine tools essential to the war-production program. The bill also fails to make the prescribed dispositions of tools subject to the rights of contractors under existing facilities contracts.

Under the bill, machine tools could only be disposed of to smaller metal-working concerns, to public schools, or to friendly nations during the 3 years after the termination of the war and at the end of that time any tools not disposed of would be required to be scrapped. This would preclude any general disposition of such tools in the United States. It is believed that these provisions are unnecessarily restrictive, and that tools built for war production can be made available for more general domestic use on terms and under conditions that will protect the different Government interests involved.

In view of the foregoing, the Navy Department recommends against enactment of the bill S. 1609.

The Navy Department has been advised by the Bureau of the Budget that there would be no objection to the submission of this recommendation.

Sincerely yours,

JAMES FORRESTAL, *Acting.*

WAR DEPARTMENT,
Washington, April 6, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Military Affairs Committee, United States Senate

DEAR SENATOR REYNOLDS: The War Department is opposed to the enactment of S. 1609, a bill to provide for the disposition of surplus Government-owned machine tools.

The provisions of the bill of primary interest may be summarized as follows:

Section 1 states that the purpose of the bill is to provide for the equitable disposal and effective utilization of surplus Government-owned machine tools, in the interest of (*a*) national defense, (*b*) the encouragement of small business enterprises, (*c*) international trade, and (*d*) public education in skills connected with machine tools.

Section 3 establishes a Federal Machine Tool Commission of nine members.

Section 4 gives the Commission the right to obtain from a department or agency any information and data with respect to machine tools in the possession or control of such department or agency. The Commission shall then determine what machine tools, if any, are surplus to the needs and functions of such department or agency and such determination shall be final or conclusive. The Commission shall thereupon classify surplus machine tools as follows: Class A, tools continuously unused for a period not exceeding 1 year following their manufacture and prior to the date of classification; class B, tools used for not more than 7,200 hours; class C, tools not classifiable in class A or class B. No machine tools acquired by the Government more than 60 days after the termination of hostilities come within the statute.

Section 5 assigns a certain order of priority for the disposition of surplus machine tools.

Section 5 (a): All Government tools, of whatever classification, manufactured for the production of military or naval equipment, not readily replaceable from the open market, shall be retained or distributed among Government agencies, as the Commission shall prescribe. Such tools shall be retained until such time, not to exceed 20 years, as they become obsolete or abandoned.

Section 5 (b): Class A and class B machine tools, except under subsection (a), shall be disposed of to Government arsenals, navy yards, maintenance and repair facilities, shore establishments, and similar installations, as the Commission shall determine. No machine tool shall be so disposed of unless the Commission first determines that such tool is superior in design or condition to the one it is to replace.

Section 5 (c): Class A and class B machine tools, except under subsections (a) and (b), shall be disposed of to smaller metalworking concerns, as the Commission shall deem necessary or appropriate to maintain or establish any smaller working concern in business. The Commission shall give preference to war veterans. The Commission shall arrange for the extension of credit to the purchaser, the rate of interest not to exceed 3 percent. For the period of 10 years the Government may recapture any machine tool disposed of pursuant to this section, in the event of war or national emergency. "A smaller metalworking concern" is defined as "any independent, unaffiliated manufacturing enterprise which utilizes not more than 100 machine tools for not less than 75 percent of the number of man-hours involved in its total productive operations."

Section 5 (d): Class A, B, and C machine tools, except under subsections (a), (b), and (c), shall be made available without charge to public schools, to promote training and instruction in machine tools. The Commission shall prescribe the terms and conditions concerning the scope, character, and duration of the courses to be given.

Section 5 (e): Class A, B, and C machine tools, except under subsections (a), (b), (c), and (d), shall be made available for disposition to friendly nations and their nationals, if authorized by license issued by the Secretary of State.

Section 6 (a) limits the existence of the Commission to 3 years following the termination of hostilities. Within 60 days after such date the Commission shall make a final report of its operations. Within 60 days following the submission of the report all machine tools remaining on hand shall be broken up and sold as scrap metal.

Section 10 (b) imposes on the departments and agencies complying with the Commission's directives responsibility for all expenses and charges connected with the storage and shipment of Government-owned machine tools.

Section 12 states that the act shall take effect immediately.

The War Department is opposed to S. 1609, in principle, because the creation of a separate agency to dispose only of surplus machine tools is inconsistent with the basic policy of the Department that one central agency should handle the disposition of all surplus property. If there is justification for a Federal Machine Tool Commission, there is equal justification for a separate commission for each category of surplus property. A number of disposal agencies, each separately created in a particular statute, each with its own policies, rules, and regulations, will inevitably cause conflicting policies and administrative confusion. The War Department should not be forced to run the gantlet of a long line of agencies and commissions in order to dispose of its surplus property.

In general, S. 1609 conflicts with the following principles which the War Department considers essential to the sound operation of a central agency:

(*a*) Surplus property would be defined as including all real estate and improvements thereof, all industrial materials and equipment, all military supplies and equipment, and all items of scrap and salvage, which the Department reports to the central agency as no longer required to meet the needs of and responsibilities vested in the War Department.

(*b*) The War Department would not declare as surplus any real estate, plant, industrial materials, or industrial equipment needed for its own operation (including reserves and stand-by facilities and equipment) or in the operations of contractors or subcontractors engaged in war production, items which may be disposed of as a part of contract terminations under policies established by appropriate authority, items of property held overseas which are determined by appropriate authority as desirable for disposal there and not for return to the United States, nor any items of property required for such relief measures as are necessarily a part of military operations.

(*c*) The War Department would report promptly to the central agency such items as become surplus under the above definition. The central agency would thereupon take possession, accountability, and full responsibility for any further maintenance or utilization, removal, protection, storage, sale, or other disposition of the property, the central agency to consult with the Department as to disposition of any property of special military significance. The Department would retain the right to remove and store materials and equipment which must be promptly removed from its own premises or those of its contractors or subcontractors to permit immediate conversion of such premises to other uses, if and when the central agency was not prepared to move and store such property. The central agency would be authorized to utilize existing War Department facilities for the conveyance of title to surplus real estate and improvements thereof.

(*d*) The War and Navy Departments would retain for the duration of the war the right to exchange stores and property as they may determine necessary in prosecuting the war.

In particular:

Section 4 is objectionable in that it vests in the Commission sole and conclusive authority to make the initial determination which machine tools are surplus. The War Department feels that it must have authority to determine what is surplus to the needs and functions of the Department. In last analysis, responsibility for national defense is lodged with the War and Navy Departments; such responsibility cannot be exercised fully and properly, if an outside agency is permitted to say which facilities or which tools are no longer needed for war production and for national defense.

Section 5 (a) contains the confusing language that all tools specially manufactured for the production of military "equipment and which the Commission shall find are not readily replaceable from the open market" shall be retained or redistributed among Government agencies as the Commission shall prescribe, such machine tools to be retained no longer than 20 years. Does this mean that a machine tool cannot be retained if the Government can buy another in the open market? Does it mean that, no matter how unnecessary the tool, it cannot be disposed of, if the tool cannot be readily replaced from the open market? Must a tool be sold at the end of 20 years, no matter how excellent the tool and regardless of the tool's condition?

Section 5 (b) states that the Commission shall not allocate or dispose of Class A or class B machine tools to Government arsenals, navy yards, maintenance and repair facilities, shore establishments, and similar installations until the Commission first determine that the total is superior in design or condition to the tool it is to replace. This is open to the same objection as section 4: The Department must be the final judge of the design and utility of a machine tool used in war production. Moreover, enactment of such legislation would allow the disposal agency to interfere in questions which are primarily matters of internal management.

It is considered that the preference established in favor of veterans and the extension of credit to veterans, in section 5 (c), are not proper subjects of legislation in such a bill. It is suggested that a carefully worked-out program of aid to veterans, embodied in a comprehensive statute, would be sounder legislative policy that the sum total of piece-meal measures such as that set out in section 5 (c). So far as the preference is concerned, the War Department agrees with the purpose of fostering sales to veterans, but the provision is couched in mandatory language which would make administration impracticable; such a requirement would be expensive, burdensome, lead to delays, and deprive the agency of the discretion and flexibility essential to efficient management. So far as extension of credit is concerned, it is thought that credit functions belong in a separate agency.

Similarly, it is believed that the extension of credit to small metal-working concerns provided in section 5 (c) should be handled as a problem of industrial reconversion in general and not as an adjunct of property disposition. In any event credit should not be limited to certain classes of purchasers, since a credit arrangement may be just as desirable for nonpreferred purchasers as for preferred purchasers.

The definition of a "smaller metal-working concern" in section 5 (c) as "any independent, unaffiliated manufacturing enterprise" is inadequate, unless the terms "independent" and "unaffiliated" are qualified.

Section 5 (d) gives the Commission powers over local education hitherto unenjoyed by any such Federal agency. It is, at least, questionable whether the Federal Machine Tool Commission should have authority "to prescribe suitable terms and conditions concerning the scope, character, and duration of the courses to be given" in every public school anxious to use surplus machine tools.

Section 5 (e) allows the disposition of tools to friendly nations and their nationals if authorized by a license from the State Department, but no standards for the issuance of a license are provided in the bill.

It is pointed out that section 5 fixes an inflexible priority in favor of (1) Government agencies, (2) small metal-working concerns, (3) public schools, and (4) friendly nations. The bill makes no provision for the acquisition of surplus machine tools by anyone else, notwithstanding a prospective purchaser's need for such tools in reconversion and notwithstanding the fact that the very tools sought to be acquired may have been employed by the purchaser in his contribution to the prosecution of the war.

Under section 6, the existence of the Commission is limited to 3 years following the termination of hostilities and, within 60 days after the final report, all machine tools remaining on hand shall be broken up and sold as scrap. It is suggested that this may be a rash and radical rule to lay down. In view of probable needs for war reserves, as well as other important considerations which may exist, it is not considered advisable to legislate an inflexible provision for scrapping all surplus tools on hand at any specified time in the future.

Provisions as to accountability in section 10 (a) and other sections appear to be unnecessary in the light of existing laws relating to accountability.

Section 10 (b), making the individual agencies responsible for all expenses and charges connected with storage and shipment of any Government-owned tool runs counter to the War Department's concept of a disposal agency. The

central agency takes and disposes of the surplus property; the central agency should be responsible for storage and shipping charges.

As worded in section 12, S. 1609 takes effect immediately upon enactment. In order to preserve the War Department's present authority to dispose of property in furtherance of the war effort, it should be made clear in S. 1609 that prior to the termination of hostilities, nothing therein contained shall alter or amend the existing disposal powers of the War Department. Even after cessation of hostilities, the War Department must have final authority to determine what is surplus to the needs of the Department.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

HENRY L. STIMSON,
Secretary of War.

WAR DEPARTMENT,
Washington, April 6, 1944.

HON. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
United States Senate.

DEAR SENATOR REYNOLDS: Reference is made to your request of February 3, 1944, for comments on S. 1680, a bill to provide for disposition of surplus war materials. The War Department is opposed to the enactment of this bill.

The bill relates to the disposition of all kinds of surplus property except land, buildings, or other real property, and provides that at the end of every 60-day period each Government agency shall transmit to Congress a detailed report on the amount of materials it has determined to be surplus, and that thereafter each agency shall proceed as quickly as possible to dispose of such surplus. The bill states that before disposing of surplus property each agency must circularize the other agencies to determine whether the property can be utilized by them. It is then stated that the agency holding the surplus property may assign it to any other governmental agency that may apply for it.

The bill also states that if no other agency is interested in the surplus property it shall be sold at a public sale to the highest responsible bidder after public advertisement. It is specifically provided that no property shall be disposed of at a price less than the cost to the United States of acquisition of the property.

The principal objections to the bill are (1) that it does not set up adequate administrative machinery to handle the problem of disposing of surplus property, and (2) that the price restriction contained in the bill prohibiting sales at less than the cost of acquisition, is impracticable and unworkable. The bill contemplates that excess materials will continue to be held in the possession of the procuring agencies and that disposition of the property will be made by them. The real need is for a central agency to take possession of surplus property and assume accountability and responsibility for maintenance, utilization, storage, and disposition of the property. It is not enough to require an agency to report surplus property, circularize other agencies before disposing of such property, and sell the property at public sale to the highest bidder.

One of the most important aspects of the surplus property question is the impact which release of a vast amount of Government-owned property will have on the civilian economy. The position of the War Department is that war materials can be infiltrated into our national economy with a minimum of disruption to the price structure and to independent business enterprise, if over-all supervision in accordance with uniform policies can be exercised by a central disposal agency. A central agency for the disposal of surplus property has been set up by the terms of Executive Order No. 9425, and this agency, or some agency similarly constituted, is best equipped to supervise the disposal of all surplus property. The proposed bill would, in effect, allow each agency to dispose of surplus property as it sees fit, except as to price. The inevitable result

will be lack of uniformity of policy among agencies, dumping where prices permit, mounting stocks where prices do not permit, and competition among Government agencies resulting in lower realizations to the Government and discrimination among purchasers.

Another important objection to the bill is the fact that restriction to sales at prices not less than cost is impracticable. The character of war production makes it inevitable that many items will cost far more to produce than they could possibly be worth for civilian use. When, as a result of changes in war strategy or improvements in weapons and matériel, contracts are changed or terminated or supplies on hand are rendered surplus or obsolete, many articles will have little use in their existing form. Many items will not bring their original cost because they were made for a specialized purpose not existing in general commerce, or were made of more valuable materials or required more precise and careful workmanship than are necessary for equivalent items in normal civilian use.

No good purpose would be served by holding and storing highly specialized items of property which can never be sold for a price equal to their cost. In fact, considerable harm can be done to the productive capacity of the Nation if material that could be used to meet post-war production demands is allowed to lay idle because it will not bring a price equivalent to its cost of production.

During the war the handling of surplus property is vitally related to war production. It is necessary for the War Department to utilize its manpower and its facilities to the maximum extent on matters directly related to the prosecution of the war. Any diversion of its personnel or facilities to storage and maintenance of surplus property, not salable because of a price restriction, would have an adverse effect on the performance of the procurement program.

The War Department is unable to estimate the fiscal effect of enactment of S. 1680.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

HENRY L. STIMSON,
Secretary of War.

DEPARTMENT OF COMMERCE,
Washington, February 21, 1944.

HON. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
Senate Office Building, Washington, D. C.

DEAR SENATOR REYNOLDS: This is in response to your request of February 3, 1944, for an expression of my views on S. 1680, a bill "To provide for the disposition of surplus war materials."

Section 2 of the bill requires, within 60 days of its enactment, a report to the Congress by the head of each agency of such war materials as are determined "to be surplus to its present and future needs," and further provides for the disposal of such surpluses "as rapidly as possible" under the provisions of the bill. I believe that it would be impossible in the time specified to determine the materials which would be surplus to future war requirements. Also, the rapid sale of tremendous quantities of surplus materials, as contemplated by this section of the bill, would be highly dangerous to our national economy. Established trade channels, especially small-business enterprises, might be injured beyond repair, and industry seriously handicapped in its effort to reconvert to peacetime production. Employment problems thus would be unnecessarily aggravated.

Section 3 of the bill requires each agency, after an effort to determine possible use of its surpluses by other Government agencies, to sell at public sale to the highest responsible bidder, but in no event at a price which is less than the cost to the United States of the acquisition of such material. While it is necessary that the financial interest of the Government be protected to the extent possible, it is believed that in many instances materials produced at high cost under the pressure of war requirements could not be sold by the Government without loss.

This would certainly also be true with respect to used materials. It would appear, therefore, that although section 2 provides for rapid disposition of materials the provisions of section 3 actually would operate to freeze the bulk of surplus materials now in the custody of the various Government agencies.

In view of the above, I cannot recommend enactment of the bill.

Sincerely,

JESSE H. JONES, *Secretary of Commerce.*

NAVY DEPARTMENT,
Washington, April 3, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman of the Committee on Military Affairs,
United States Senate.

MY DEAR MR. CHAIRMAN: The bill S. 1680, "To provide for disposition of surplus war materials," was referred by your committee to the Navy Department with request for a statement of views with respect thereto.

The purpose of the bill is to require each Government department, establishment, or agency to transmit to Congress, within 60 days after the date of enactment of the bill and every 60 days thereafter "a complete and detailed report" showing the amounts of war materials in its custody or under its control which are determined by the head of the agency to be surplus to "its present and future needs." The bill broadly defines "war materials" to include any Government-owned supplies, equipment, materials, or other tangible property other than real estate, acquired, held, or utilized for military or other purposes "directly or indirectly related to the war effort and suitable or adaptable for civilian use."

Upon reporting to the Congress, each agency would be required to proceed as rapidly as possible to dispose of the surplus war materials so reported. Before disposing of war materials, the agency would be required to circularize other agencies and to assign the war materials to any agency applying therefor.

Section 3(b) of the bill would require that any war materials not assigned to other agencies shall be sold by the agency having custody or control, at public sale to the highest responsible bidder, upon such terms and after such public advertisement as may be deemed in the public interest, but no such material shall be disposed of at a price which is less than the cost to the United States of the acquisition of such material.

Section 4 of the bill would require that all proceeds of sales made pursuant to the provisions of the bill shall be deposited in the Treasury of the United States to the credit of "Miscellaneous receipts" and a full report thereof shall be submitted annually to the Congress.

The definition of war materials contained in the bill is imprecise insofar as such materials are to be suitable or adaptable for civilian use. Almost any personal property acquired by the Navy may be adapted to civilian use, although the degree of adaptability would vary. Certain types of property, if scrapped, could be adapted to civilian use. Presumably, "civilian use" would include industrial use, but such is not clear from the bill and on the whole the definition needs considerable clarification.

The requirement that property be sold at competitive bidding at an amount not less than the price at which the material was acquired by the Government is particularly objectionable. This requirement of competitive bidding, with no authority to negotiate sales to specific purchasers, would nullify the present existing authority of the Navy Department to dispose of property where it is most needed to facilitate the prosecution of the war. Apparently, section 3 (b) of the bill would eliminate the Navy Department's authority under the First War Powers Act to sell property to contractors and others when necessary to facilitate the war, because the bill would require that the Navy Department dispose of "surplus" property only in accordance with its terms.

The absolute necessity that the Navy Department retain authority to dispose of property freely during wartime is set forth at some length in the letter of the Secretary of the Navy to the chairman of the House Committee on Expenditures in the Executive Departments, dated March 31, 1943, with reference to the bill H. R. 1610. A copy of that letter is enclosed.

The bill H. R. 2795, which also relates to the matter of disposing of surplus war property, recognizes that the Navy Department must retain for the duration of the present war the authority to dispose of property which was granted by the First War Powers Act.

The bill H. R. 2795 has been passed by the House and favorably reported by the Senate Committee on Expenditures in the Executive Departments. The present bill, S. 1680, is in direct conflict with the provisions of the bill H. R. 2795, which the Navy Department has consistently supported in both Houses of Congress.

The requirements that the Government obtain the full cost of surplus war materials, when coupled with the requirement for competitive bidding, would so hamper the Navy Department as to make it almost impossible to dispose of any property. Apart from the difficulties of selling property under such conditions, the requirement that the Government must receive the cost of the materials, would be an effective bar to almost all sales of property for which the Navy has no need in the prosecution of the war. This unrealistic requirement ignores the necessity of scrapping such surplus property to make it adaptable to civilian use and ignores also the deterioration and obsolescence of many types of Navy property.

In view of the foregoing, the Navy Department recommends against enactment of the bill S. 1680.

The Navy Department has been advised by the Bureau of the Budget that there would be no objection to the submission of this recommendation.

Sincerely yours,

JAMES FORRESTAL, *Acting.*

Senator MURRAY. This will conclude the scheduled hearings. Further hearings will be announced later on.

(Whereupon, at 11:50 a. m., the hearing was adjourned.)

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Columbia University

NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1730

A BILL TO CREATE AN OFFICE OF DEMOBILIZATION, ESTABLISH GENERAL POLICIES FOR THE OPERATION OF THAT OFFICE, PROVIDE FOR THE SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS, PROVIDE FOR THE DISPOSAL OF SURPLUS GOVERNMENT PROPERTY, AND FOR OTHER PURPOSES

S. 1823

A BILL TO ESTABLISH AN OFFICE OF WAR MOBILIZATION AND ADJUSTMENT

PART 6

MAY 30, 1944

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

TUESDAY, MAY 30, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE
OF THE COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to call, at 10:10 a. m., in room 357, Senate Office Building, Senator James E. Murray (chairman), presiding.

Present: Senators Murray, George, Guffey, and Ferguson, and Representative Gwynne.

Also present: B. M. Gross, staff director; Kurt Porchardt, counsel to the subcommittee; and Scott Russell, post-war committee.

Senator MURRAY. The hearing will come to order.

Mr. Lockwood is the first witness. Mr. Lockwood, will you come forward, please?

Before we open the hearing, I should like to say that today's hearing has been called to consider the problems involved in the termination of war contracts at the Brewster Aeronautical Corporation.

This subject is of particular importance to the War Contracts Subcommittee, because we are now engaged in preparing legislation dealing with the broad problem of conversion from war to peace and of synchronizing war-production cut-backs with plans for the resumption and expansion of civilian production. Two bills dealing with this subject have been under study by our committee for many weeks—namely, S. 1730, introduced by Senator George and myself, and S. 1893, introduced by Senator Kilgore. As announced in the subcommittee's report of May 12, it is our intention to bring before the Senate in the near future a bill which is based upon the best features of both these measures and upon many suggestions that have been offered by the witnesses appearing at our hearings. Toward that end, we are working in close cooperation with the Senate's Special Committee on Post-war Economic Policy and Planning, headed by Senator George.

Our witnesses at today's hearings will include Preston Lockwood, president of Brewster; Richard Frankensteen, vice president of the United Automobile Workers Union; Charles Wilson, Vice Chairman of the War Production Board; and representatives of the Navy and Army.

STATEMENT OF PRESTON LOCKWOOD, PRESIDENT, BREWSTER AERONAUTICAL CORPORATION, LONG ISLAND CITY, NEW YORK

Senator MURRAY. Will you give us your full name please?

Mr. LOCKWOOD. My name is Preston Lockwood. Do you wish me to give my residence?

Senator MURRAY. Everything pertaining to your official position with the corporation that you represent.

Mr. LOCKWOOD. I am president of Brewster Aeronautical Corporation, whose main office is at Thirty-fifth and Northern Boulevard, Long Island City.

I was elected president on May 17, 1944.

I have with me as other representatives of the company, D. C. Peacock, vice president, and Leo Gottlieb, counsel.

Senator MURRAY. Mr. Lockwood, have you any prepared statement that you wish to give at the opening of this hearing?

Mr. LOCKWOOD. No, sir; I have not. I had rather short notice, and we have been very busy in Long Island City.

Senator MURRAY. We have presented to you some questions which we wish to have you answer here this morning, and I shall ask you those questions now.

The first question is, when was the first Navy contract awarded Brewster?

Mr. LOCKWOOD. Before answering that question, may I ask if I shall have an opportunity to correct dates and figures later?

Senator MURRAY. Yes; you may supplement your testimony of today by any additional statement you wish to make to cover any matters that you are not prepared at the moment to answer.

Mr. LOCKWOOD. My dates and my figures may be approximate. They are from memory, some of them.

There was a Navy experimental order as early as 1934. In 1938, an experimental contract was awarded by the Navy to Brewster, and subsequently in that year further contracts, both experimental and production, were awarded by the Navy to Brewster, particularly the Buffalo fighter, and I believe it is a correct statement to say that by the end of 1938, practically all work of Brewster Aeronautical Corporation was for the Navy.

Senator MURRAY. What did your first contract provide? What was the purpose of that contract?

Mr. LOCKWOOD. One was for a fighter plane of medium range called the Buffalo, and the next contract was for a dive bomber; that is, the next contract for a plane was a dive-bomber contract for the British, the Dutch, and the Navy.

After we obtained the Buffalo contract and before we obtained the dive-bomber contracts, we had a large subcontract for Consolidated Aircraft Corporation for the making of outer wings for the PBY, now known as the Catalina.

Senator MURRAY. Were these contracts followed by others from the Navy?

Mr. LOCKWOOD. Having said that we received two dive-bomber contracts, the only contract of substance that followed was the Corsair contract, which is the subject of the present cancelation. There were additional orders under the original dive-bomber contracts.

Senator MURRAY. When were the plans made for the building of the plant at Johnsville?

Mr. LOCKWOOD. I can only say that I believe it was late in 1940, or early 1941, when that plan started. I think it was probably in 1941, because I know it was not finished until 1942. The bulk of the work seems to have been done in 1941. All of that was before my connection with the company.

Senator MURRAY. Do you know the conditions under which that plant was planned?

Mr. LOCKWOOD. No; I do not.

Senator MURRAY. Do you know who proposed it?

Mr. LOCKWOOD. The management of Brewster then was under the direction of Mr. James Work, whose title varied from that of president to chairman of the board during those years.

Senator MURRAY. Do you know what that plant cost the Government?

Mr. LOCKWOOD. The total D. P. C. loan on that plant now is about $8,500,000, and I should say that over $6,000,000 was fixed assets, that $6,000,000 being plant and the rest machinery and equipment.

Senator MURRAY. Has that plant proved to be well suited for the war-production program your concern had on hand?

Mr. LOCKWOOD. That is a question of judgment. In my judgment, yes. It is now an excellent plant.

Senator MURRAY. I understand that the Long Island plant of the Brewster concern was a leased plant, leased from private owners.

Mr. LOCKWOOD. That is not entirely correct. It is partly leased and partly owned. There are about a million square feet of space in Long Island City consisting of four units. The unit which Brewster owns, I think, has about 250,000 square feet.

Senator MURRAY. Was that plant constructed and equipped for efficient production?

Mr. LOCKWOOD. It depends upon what it was to produce.

Senator MURRAY. Was it suitable for the production program that your concern had on hand?

Mr. LOCKWOOD. Not as suitable as some other plants. The principal units were owned by Ford and by Pierce Arrow, and were originally constructed for the purpose of making automobile parts.

Senator MURRAY. Couldn't it be readily converted to the building of planes?

Mr. LOCKWOOD. It could be, and was, converted to the building of planes, but it did labor under the disadvantage of being in different units.

Senator MURRAY. Different units?

Mr. LOCKWOOD. Consisting of different units; that is, being not all under one roof, and being vertical—that is, a number of floors.

Senator MURRAY. What was the cost to the Government of the equipment in the Long Island plant?

Mr. LOCKWOOD. About a million and a half dollars, I should say, undepreciated.

Senator MURRAY. A million and a half?

Mr. LOCKWOOD. Between a million and a half and $2,000,000, without taking into consideration subsequent depreciation.

Senator MURRAY. Can you give us the number of employees that you had at each of these plants?

Mr. LOCKWOOD. Before the current lay-off we had a total of 12,250 employees, approximately 3,500 of whom were in Johnsville.

Senator MURRAY. What are the facts with reference to the efficiency or productivity at the Brewster plant?

Mr. LOCKWOOD. Well, to take one fact, that of man-hours, the man-hours currently employed in the manufacture of each Corsair are

about 9,500. In September and October, when they just got into real production on Corsairs, they were about 27,000 per plane direct productiev man-hours.

Senator MURRAY. How did that compare with production in other plants? Was that not considered a good production record?

Mr. LOCKWOOD. My information is that when you consider the number of Corsairs we had made—we had made about 600 Corsairs when the cancelation occurred. The man-hours which were required were probably less than the man-hours which certain other manufacturers required when they made their six hundredth Corsair. I don't know the man-hour figures currently for the other manufacturers.

Senator MURRAY. How many shifts did they run at the plant?

Mr. LOCKWOOD. You mean lately?

Senator MURRAY. Starting with the commencement of your operations.

Mr. LOCKWOOD. Well, we ran two shifts, most of the time, until about a month ago, when we reduced shifts at Johnsville to one shift, and the night shift in Long Island City was considerably curtailed.

Senator MURRAY. Why did you reduce the one shift at the Johnsville plant?

Mr. LOCKWOOD. Because we found we could meet our schedules with one shift.

Senator MURRAY. Prior to that you were not meeting your schedule, and you had a very unsatisfactory condition there, did you not, in your production?

Mr. LOCKWOOD. At one time, but not immediately prior to the reduction of that shift. We were meeting our schedules before we cut to one shift. The unsatisfactory condition was when we were making the three types.

Senator MURRAY. Three types of what?

Mr. LOCKWOOD. Three types of planes.

Senator MURRAY. And can you describe to us the situation there which created that unsatisfactory condition?

Mr. LOCKWOOD. The inherent difficultly in making three types of planes at one time, certain mistakes in planning and arrangement which were subsequently corrected, and a condition in which labor and management were not cooperating very well.

Senator MURRAY. To what extent does the present man-hour figure at your plant represent an improvement over the past performance?

Mr. LOCKWOOD. Well, the man-hours are now only about one-third of what they were when we really began on the Corsairs.

Senator MURRAY. What was your contract? Was it a cost-plus-fixed-fee contract?

Mr. LOCKWOOD. Yes, sir.

Senator MURRAY. And under that contract did you have an oversupply of workers there?

Mr. LOCKWOOD. Not for the production of the Corsair.

Senator MURRAY. Didn't you have any problem of inability to secure efficient work from the men because of the fact that they were overcrowded?

Mr. LOCKWOOD. That was when we were making three types and didn't know how many men were required and made other mistakes, as I said, in the planning.

Senator MURRAY. That was when the plant developed the bad reputation with reference to production?

Mr. LOCKWOOD. Yes, sir.

Senator MURRAY. Well, when did you begin to correct that?

Mr. LOCKWOOD. We began to correct that decidedly as soon as Mr. Kaiser became president, which was October 7, 1943.

Senator MURRAY. What was the cause of that unsatisfactory condition? Was it due to poor management, or what?

Mr. LOCKWOOD. It was due to a combination of facts. The management was not as successful in the planning as it might have been. Labor and management did not understand each other as well as they do now, and there was, as I say, the inherent difficulty in trying to make three different types of planes at once, in the same plants.

Senator MURRAY. That failure of understanding between management and labor was due largely to inefficient management, was it not?

Mr. LOCKWOOD. I wouldn't say largely due to it. I can't apportion the reason for that failure even in my own mind. It was due, at least partially, to management.

Senator MURRAY. Well, then, you feel that your plant was correcting the bad conditions there and was going along with a satisfactory production record when the cut-back began?

Mr. LOCKWOOD. Yes, sir.

Senator MURRAY. When was the company first notified of the cut-back?

Mr. LOCKWOOD. On Tuesday, May 16.

Senator MURRAY. Tuesday, May 16?

Mr. LOCKWOOD. During the course of a board of directors meeting, Mr. Kaiser was called to the telephone by the Navy Department, and when he returned he said he had been told there was to be an over-all cut-back in the fighter program.

Senator MURRAY. When was that cut-back to take place?

Mr. LOCKWOOD. He was not told at that time, and he was not told to what extent; at least, it was not repeated to us at the directors' meeting as to what extent or when the cut-back would take place, and to what extent it would affect Brewster. That was on Tuesday.

On Wednesday, we had an annual meeting of the stockholders. At that meeting, Mr. Kaiser read a statement to the stockholders in which he referred to the fact that he had been informed there was to be a cut-back in the over-all fighter program and that it would affect Brewster. We have copies of that statement.

Senator MURRAY. Have you got a copy of that statement?

Mr. LOCKWOOD. Yes.

(The statement referred to is as follows:)

MAY 17, 1944.

STATEMENT OF HENRY J. KAISER AT ANNUAL MEETING OF STOCKHOLDERS OF BREWSTER AERONAUTICAL CORPORATION

In a letter sent to the stockholders under date of March 11, 1944, the stockholders were given a summary of such information as was available concerning the principal developments affecting the company.

I am sure that you were pleased to learn of the great improvement in production and efficiency which has taken place. The production figures cannot, of course, be made public, but I am glad to be able to say that the production record achieved by the company, of which you were told in the March 11 letter, is being fully maintained. The company has continued to exceed the

airplane delivery schedules established by the Navy in spite of increases in schedule.

The excellent quality of the company's airplanes and its production record are receiving further gratifying recognition. On April 1, 1944, the War Production Board again congratulated the company upon its steady record of sustained production and particularly the new high achieved during March. The company's April showing was even better and brought another congratulatory telegram from the War Production Board in May. Just yesterday, the company received the following telegram from Vice Admiral John S. McCain, Deputy Chief of Navy Operations (Air):

"To the Men and Women of Brewster Aeronautical Corporation:

"A compilation by a national magazine shows that of the eleven top American aces in this war four flew Corsair planes. More of these famous pilots made their records in Corsairs than in any other plane Army or Navy together. These four aces knocked down 91 enemy aircraft. Their brilliant combat achievement is a tribute to you men and women who help build their superb fighter planes."

The company's steady increase in efficiency and decrease in production costs has also continued. Due to increased output and more efficient operations, direct labor man-hours consumed in the production of the Corsair fighter have been reduced from approximately 27,000 per plane during September 1943 to less than 9,500 per plane during the first week of this month. This naturally represents a material saving in costs.

Last October there were approximately 20,000 persons on the company's pay roll, including about 2,750 employed at the company's Newark plant, which has since been taken over by the War Department for the use of the Army Air Forces. At the present time, the company has about 12,250 employees.

There has been a reduction since last October of more than $2,700,000 in the annual executive and administrative pay roll.

The company's labor relations are stable. There has been no stoppage or labor dispute since the present management took office. Absenteeism, which was running around 13 to 14 percent 6 months ago, was down to about 5 percent at the end of April.

The marked improvement in the company's labor relations, and in its efficiency generally, was commended in a recent report to the War Labor Board. This report was submitted to the War Labor Board by its official representative and was approved by the Board. In speaking of the cooperation between the labor union and the management at Brewster, since October, 1943, the report stated:

"The union and the management have worked together in peace and harmony and have jointly, in sincerity, and understanding solved their mutual problems so that more and more airplanes have been produced at the Brewster plant."

Referring to the company's recent production record, the report stated:

"Here will be seen the concrete results of the intelligent spirit of understanding and cooperation which exists at Brewster today as between the company and the union. The record over the last 6 months is indeed one in which the company and the union can take pride."

The report to the War Labor Board also emphasized the reduction in man-hours per unit of production which was termed "nothing short of astounding."

The final meeting of the outgoing board of directors was held yesterday at the Johnsville plant of the company. After the meeting, my fellow directors and I went through the plant and I wish that all of the stockholders present at this meeting could have been with us. I think that you would have agreed that the company has at that plant as smooth-running, efficient, and satisfactory an operation as one could find anywhere.

The March 11 letter to stockholders outlined some of the problems which stand in the way of determining the company's financial position. Although progress has been made toward the solution of these problems, the company is still not in a position to issue financial statements. These problems and their present status are reviewed in a statement which has been prepared for distribution at this meeting and will be passed among you in just a few minutes. The statement summarizes the major open matters affecting the company's financial position.

Borrowings under the company's Regulation V loan, under which the company is authorized to borrow up to $55,000,000, stood at $24,200,000 as of May 16, 1944, as against $35,200,000 at March 1, 1944, and a high of $49,500,000 for 1944 to date. The loan, which is 100 percent guaranteed by the Navy Department matures on June 30, 1944.

It will not be possible to determine the results of the company's operations for the first quarter of 1944 until the books can be closed for the year 1943, but the company's operations are currently profitable.

Deliveries under the company's present fighter contract with the Navy Department would, according to present estimates, result in the completion of that contract by the end of this year.

While attending the directors' meeting at Johnsville yesterday, I was advised by telephone from Washington that the Navy Department, as a result of a study which has just been completed, has decided to cut back substantially the production of fighter planes. As a result, it now seems clear that the Navy Department will not place with the company any further orders for the Corsair fighter. It is also possible that the Navy may cut off deliveries by the company prior to completion of the present contrast. The extent, if any, by which deliveries under the present contract will be reduced is to be decided after further consideration by the Navy and consultation with the company.

The Navy Department has made it clear that the proposed action is being taken as the result of revision of over-all military requirements, and in no sense reflects any dissatisfaction with the company's performance or with the proposed new management of the company of which the Navy Department has been advised.

I shall recommend to the new management that they ascertain, at the earliest possible moment, whether or not other new business can be obtained immediately, either from the Navy or from the Army, and either as prime contractor or as subcontractor. New business is needed without delay, and unless the company's facilities are to be utilized for the production of military aircraft, the new management may wish to make plans for the use of the company's facilities in the manufacture of civilian aircraft.

In this connection, I am now working on plans for the organization of a nonprofit corporation to build and operate 5,000 airports and landing strips along the highways of the United States, to stimulate and encourage air travel. Under my plan, there will be an airport every 30 miles and a landing strip every 15 miles. The airports and landing strips will be completed within 6 months after construction begins. It is my hope that satisfactory arrangements can be made to put this plan into effect promptly after the invasion has been carried out and victory is assured.

If no military aircraft business is forthcoming for the Brewster Co., the new management may wish to give consideration to designing and preparing to build personal planes, and may even wish to adopt a plan for taking orders now for delivery after the war.

The statement regarding the company's financial position, to which I referred, will now be distributed. I believe that the March 11 letter, as supplemented by this statement and by the remarks which I have just made, summarizes for you all the information concerning the company which can appropriately be given at this time.

Senator MURRAY. When did you first learn of the actual terms of the cut-back?

Mr. LOCKWOOD. On Friday, May 19. There was a conference at the Navy Department between representatives of the Navy and representatives of Brewster.

Senator MURRAY. They came to the plant?

Mr. LOCKWOOD. No; at the Navy Department. There was a conference at the Navy Department. During the course of that conference, after some discussion, they told us in substance the terms of what was subsequently set forth in the termination notice which we received on Monday, May 22.

Senator MURRAY. Have you that termination notice?

Mr. LOCKWOOD. Yes, sir.

Senator MURRAY. You may put it in the record.

Mr. LOCKWOOD. There were two letters—the termination notice proper and a supplemental letter.

Senator MURRAY. They may be incorporated in the record.

(The two letters referred to are as follows:)

NAVY DEPARTMENT,
BUREAU OF AERONAUTICS,
Washington, D. C., May 22, 1944.

Subject: Contract NOa (s) 172—Termination notice.

BREWSTER AERONAUTICAL CORPORATION,
Long Island City, N. Y.

GENTLEMEN: You are hereby notified pursuant to section 24 (entitled "Termination") of contract NOa (s) 172, formerly contract NOs 90615, of the termination of said contract as hereinafter stated pursuant to a determination of the contracting officer that such termination is for the best interest of the Government.

From the date of receipt hereof you are directed to continue performance under the contract only to the extent necessary to make deliveries of airplanes at the rate of approximately 24 per week, and spare parts in the same proportions to airplanes delivered as are now called for by the contract, provided that this shall result in the delivery from the date of receipt hereof to and including July 1, 1944, of not more than 150 airplanes and proportionate spare parts The contract shall be terminated entirely on July 1, 1944, and all work in performance of the contract shall cease at the close of business on that date.

You are directed upon receipt hereof promptly to take the action required of you by section 24 (b) of said contract including the cancelation of all orders and subcontracts and the cessation of all work under the subject contract not necessary for the completion of the airplanes and spare parts called for hereunder.

Kindly acknowledge receipt hereof immediately.

Very truly yours,

D. C. RAMSEY,
Contracting Officer, Bureau of Aeronautics.

NAVY DEPARTMENT BUREAU OF AERONAUTICS,
Washington, D. C., May 22, 1944.

Subject: Contract NOa(s) 172—Termination
Reference: (*a*) Termination notice, contract NOa(s) 172, dated May 22, 1944.

BREWSTER AERONAUTICAL CORPORATION,
Long Island City, N. Y.

GENTLEMEN: Confirming discussions with your officials which began Tuesday, May 16, reference (*a*) notified you of the termination of the subject contract, which termination, however, contemplates the continued performance by you under July 1, 1944. This continued performance was limited to the manufacture and delivery by you of airplanes at the approximate rate of 24 airplanes a week from the date of the receipt by you of reference (*a*) until July 1 and also the continued manufacture and delivery by you of spare parts in the same proportion to airplanes delivered. In the event of a failure on your part to continue deliveries of airplanes and spare parts at the above-mentioned rate and at costs in substantial conformity with current costs, or in the event that for any other reason it becomes, in the opinion of the Navy Department, in the best interests of the Government to amend the terms of reference (*a*) to provide for an earlier termination date, you will be so notified by this Bureau.

The Bureau will be glad to discuss with you at your early convenience the status of miscellaneous projects undertaken in connection with contract NOa(s) 172, such as the work being done on airplanes for the British.

Very truly yours,

D. C. RAMSEY,
Contracting Officer, Bureau of Aeronautics.

Senator MURRAY. Under the terms of those notices, when were you required to put the cut-back into effect?

Mr. LOCKWOOD. Not later than July 1, 1944. The continuation of the contract until July 1, 1944, was dependent upon our delivery of approximately 24 planes per week with a proportionate number of spares, the total number of planes delivered not to exceed 150.

We had on that date delivered 600, so there were 150 more planes to be delivered.

Senator MURRAY. Can you meet that schedule?

Mr. LOCKWOOD. We have, and we believe we can.

Senator MURRAY. That would carry you then to July 1, would it not?

Mr. LOCKWOOD. Yes, only at Johnsville, really, because we are now working in Long Island City to cover shortages on some of the spares, but within 10 days we expect to be completely through our work in Long Island City to make the deliveries of the 24 and spares.

Senator MURRAY. Within a period of 10 days, you say?

Mr. LOCKWOOD. Yes; within a period of 10 days we expect to be finished with all our work in Long Island City connected with the delivery of the 24 planes, and a proportionate amount of spares.

Senator MURRAY. That means the plant at Long Island City would be completely closed, then?

Mr. LOCKWOOD. Closed so far as work on Navy business is concerned, with the possible exception of a small contract.

Mr. PEACOCK. A small contract for chemical bomb loads.

Mr. LOCKWOOD. That is new business, but we have got two or three odds and ends of contracts with the Navy in addition to the Corsair. They are entirely at Johnsville, and they don't amount to very much.

Senator MURRAY. That wouldn't require any extensive operations of the plant or require the continuance of the plant?

Mr. LOCKWOOD. No, sir.

Senator MURRAY. Then when these cutbacks are carried out, have you any other program with the Navy to continue the operations of the plant?

Mr. LOCKWOOD. We have no program with the Navy for continuing operations.

Senator MURRAY. Have they given you any understanding that they will in the future be expecting to give you additional work?

Mr. LOCKWOOD. No; they have not. On the contrary, they have said that at the present time they had no additional work for us.

Senator MURRAY. Well, have they called the situation to the attention of other services so that you might be able to secure contracts from some other direction?

Mr. LOCKWOOD. Not to my knowledge.

Senator MURRAY. Have you contacted the Army with reference to the possibility of securing any other contract work?

Mr. LOCKWOOD. We have.

Senator MURRAY. When did you contact the Army?

Mr. LOCKWOOD. On May 18 we sent a representative to Wright Field, and on May 19 various representatives of the company called on the Army headquarters at the Pentagon Building.

Senator MURRAY. What was the result of those efforts?

Mr. LOCKWOOD. I should like Mr. Peacock to carry on that part of the inquiry, please, because he conducted those negotiations.

BREWSTER AERONAUTICAL CORPORATION,
Long Island City 1, N. Y., June 5, 1944.

BERTRAM GROSS, Esq.,
Counsel, Subcommittee, Military War Contracts Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: Referring to my testimony on Tuesday, May 30, 1944, before the Subcommittee on War Contracts, of which Senator Murray is chairman, of the Senate Military Affairs Committee.

Since my return to Long Island City I have had a careful check made as to the work which we subcontract on the F3A–1 (Corsair airplane). This check reveals the percentage of total man-hours represented by subcontracted items, from the beginning of the contract to be approximately 35 percent and at present approximately 33 percent.

Will you please use this letter to supplement my testimony or in any other way you might wish.

Yours sincerely,

BREWSTER AERONAUTICAL CORPORATION,
By PRESTON LOCKWOOD, *President.*

STATEMENT OF D. C. PEACOCK, VICE PRESIDENT, BREWSTER AERONAUTICAL CORPORATION

Mr. PEACOCK. Well, we saw General Jones and he was to refer the matter to Wright Field. We already had a man at Wright Field investigating the possibility of subcontracting Army work from the other plane manufacturers.

We have contacted a number of plane manufacturers throughout the country, and there is a possibility of obtaining a certain amount of subcontracts in rather a small way, but nothing of the magnitude of the eight or nine mililon dollars a month for the Corsair work which were doing.

Probably we might be able to build up, inside of 3 or 4 months, to one or two million dollars a month, but that would be the very most.

Senator MURRAY. That fact wouldn't make it at all possible for you to carry on your operations on the scale that you previously did?

Mr. PEACOCK. No; it would not, sir. What we found out is that it takes considerable time to develop these contracts. You have to work through Wright Field and through the contractors and work out the various terms of the contracts, and we are stymied on account of financing.

Senator MURRAY. All these efforts were carried on independently by your organization? You received no assistance whatever from any of the procurement agencies, enabling you to get additional work?

Mr. PEACOCK. As we have said, we talked to the Army and we talked to the War Production Board; the Chemical Warfare Division in New York have been working with us trying to get us some work, and the Army Air Forces in New York had a representative in our plant last week going over the facilities. All of the agencies in that line now are apprised of the fact that we do have available manpower and available space to build plane parts or any other small parts for war production.

Sentor MURRAY. Well, then, this cut-back or termination program was made when there was no other program to take its place provided by any of the procurement agencies?

Mr. PEACOCK. That is right.

Senator MURRAY. So that is was necessary for you, on your own behalf to find other contracts?

Mr. PEACOCK. That is correct.

Senator MURRAY. In other words, to be able to continue your plant?

Mr. PEACOCK. That is right.

Senator MURRAY. In other words, there was no program by the services provided to take the place of the existing contracts which you have.

Mr. PEACOCK. That is right. The fact that it requires considerable time to retool and to develop these contracts means that we will lose all of our supervision. When you lose your supervision, your organization is completely shot.

Senator MURRAY. When did you first consult with the War Production Board and the War Manpower Commission in connection with this problem that you have?

Mr. PEACOCK. We talked to the War Production Board on May 19.

Senator MURRAY. That was immediately following the notice of cut-back?

Mr. PEACOCK. Yes, sir.

Senator MURRAY. What did they say they could do for you?

Mr. PEACOCK. We saw C. E. Wilson first. He referred us to Beverly Murphy.

Senator MURRAY. Who is he?

Mr. PEACOCK. He is in the War Production Board. I don't know his capacity. An appointment was made with Mr. Henshaw, one of the vice presidents, to see Mr. Murphy on the following morning. He saw Mr. Murphy, and the question was talked about of converting the Johnsville plant for shell making. The Ordnance Department went to work and made a survey immediately.

Senator MURRAY. They had no plan already worked out for that purpose? It was a plan they were going to work out in the future?

Mr. PEACOCK. That is right.

Senator MURRAY. Did they indicate that they knew your contract was going to be terminated? Did they know in advance that your contract was being terminated?

Mr. PEACOCK. We were not told that.

Senator MURRAY. But they had no immediate plans, anyway, to take the place of the contract you have?

Mr. PEACOCK. That is right.

Mr. GROSS. Did they seem to have full information as to the reasons for the termination at the War Production Board?

Mr. PEACOCK. I think Mr. Wilson should testify to that.

Senator MURRAY. Well, how is that effort on your part working out?

Mr. PEACOCK. On getting business?

Senator MURRAY. Yes.

Mr. PEACOCK. Well, it is very difficult for the reason that we have no financing. All of the money is tied up in V loan. We can't take on additional business, Army business or Ordnance business, on the present V loan because the V loan is backed 100 percent by the Navy.

Senator MURRAY. If, at the time your contract was terminated, a program of future war production work had been presented to you, would your plant be in a position to go forward with the new work?

Mr. PEACOCK. Only if we had been given sufficient notice to permit us to go out and get subcontracts or other network and retool and reconvert over gradually, and retain our organization.

Senator MURRAY. If a program of new work was all ready for you, you would be able to undertake it then and be able to make the necessary adjustments there to take on the new work, would you not?

Mr. PEACOCK. That is right, but it would take at least 90 days to integrate it into the present production as the production faded out.

Senator MURRAY. It would take some little time to make that change-over?

Mr. PEACOCK. Yes, sir.

Senator MURRAY. In the meantime, would that cause you to lose any of your personnel, your important technical and skilled workers there?

Mr. PEACOCK. Well, it would depend upon the type of subcontracts you had as to the personnel that you retained.

Senator MURRAY. What is the situation at your plant now?

Mr. PEACOCK. Well, with regard to orders, it is simply this: We have one small $60,000 order on a cost-plus-fixed-fee as a subcontractor from the Goat Co. in Brooklyn. We have the letter of intent for manufacturing these bomb noses. It is very small, as it is an educational order. It didn't amount to much and will only keep twenty to thirty men busy, and six or eight of our hydraulic and mechanical presses busy, and that is all.

We have another prospect of one to two hundred thousand dollars worth of tool design and manufacture for Consolidated Vulte at Nashville, for which we expect to get the letter of intent today or tomorrow, providing that we can get proper financing some way and can go ahead.

Senator MURRAY. What is the extent of that contract?

Mr. PEACOCK. Between one and two hundred thousand dollars. It will last about 90 days.

Senator MURRAY. Then it is insignificant.

Mr. PEACOCK. It is very significant, because if we can get it in quick enough it will keep most of our tool personnel busy, because the minute we lose our tool makers, we can't get them back these days. They are just gone.

Senator MURRAY. When your contract was terminated, did you immediately notify your subcontractors?

Mr. PEACOCK. That was handled through termination; yes, sir.

Senator MURRAY. Have you many subcontractors?

Mr. PEACOCK. Two thousand, including the subcontractors and parts suppliers.

Senator MURRAY. What were they doing about the situation; do you know?

Mr. PEACOCK. No, I don't.

Senator MURRAY. Can you give us the dollar volume of the subcontracting which is done?

Mr. PEACOCK. You mean the items which we buy?

Senator MURRAY. The amount in dollars and cents of the subcontracts that you have.

Mr. PEACOCK. Do you mean now?

Senator MURRAY. Well, at the time of the contract termination.

Mr. PEACOCK. I am sorry; your question is not clear to me. The subcontracts that we were buying in from the outside vendors or the subcontracts that we had ourselves?

Senator MURRAY. The subcontracts you were granting to others. You have a large number of subcontractors, I understand.

Mr. PEACOCK. That is right.

Senator MURRAY. What do those subcontracts amount to in dollars and cents approximately?

Mr. PEACOCK. I should say approximately $20,000 a plane. That is approximate. I may be slightly off on that figure.

Senator MURRAY. Well, then, you did subcontract work also for other concerns?

Mr. PEACOCK. No; we don't do any. We did in Newark, but that was canceled out the first of the year.

Senator MURRAY. You say there is $20,000 a plane in subcontracts?

Mr. PEACOCK. That is right.

Senator MURRAY. How many planes per month would that be that you turn out?

Mr. PEACOCK. I don't know whether the Navy will let me disclose that figure.

Senator MURRAY. Very well. But, at any rate, it is a substantial subcontracting program which you have there?

Mr. PEACOCK. Yes, sir.

Mr. GROSS. What is the total cost of a single plane?

Mr. PEACOCK. Approximately 80 to 85 thousand dollars.

Mr. GROSS. You are selling them to the Navy at about that price?

Mr. PEACOCK. That is their present cost; that is correct.

Senator MURRAY. Now, as a result of this situation at your plant you have developed some difficulties there. Will you describe what the situation is at the plant now?

Mr. PEACOCK. I shall turn you over to Mr. Lockwood.

STATEMENT OF PRESTON LOCKWOOD—Resumed

Mr. LOCKWOOD. Do you mean yesterday and the day before with respect to the demonstrations by labor?

Senator MURRAY. Yes.

Mr. LOCKWOOD. Late Sunday night the leaders of the union informed us that they wished to work, that they were willing to work for nothing for Brewster in connection with any new business that Brewster might get because they recognized that the financing of the new business was a very difficult matter.

We said we would have to look into whether, under the applicable statutes, we could accept work for nothing even if it was otherwise practicable.

On Monday morning everybody came to work, including those who had taken a vacation for the last 2 days of the week before. When the termination notice came out, it was late on Monday, May 22. As promptly as we could act, we posted a notice to the effect that only those persons whose work was necessary to complete the 24 planes a week which we were to deliver, were to work, and that the rest of them could take a vacation without pay for the rest of the week, except to the extent that they had accrued vacation pay due them, and that

those would be paid for whatever period of time that vacation pay had been accrued.

When they came to work on Monday, yesterday, they stated that they were going to stay in the building when their shift was over, whether or not they were required to work to produce the 24 planes a week. They handed us a letter in the morning, a copy of which I have here.

Senator MURRAY. You might read it into the record.

Mr. LOCKWOOD. It is on the stationery of Local 365, United Automobile Workers of America, C. I. O., 21–28 Forty-first Avenue, Long Island City, New York 1, telephone Stillwell 4–7176–7177. There is a legend on the side as to the branch offices. I don't suppose you want me to read that. It is addressed to Mr. Preston Lockwood, president, Brewster Aeronautical Corporation, Long Island City, N. Y.

DEAR MR. LOCKWOOD: Our union knows the frustration you must feel, after having met schedules, exceeded schedules, and met the requirements of the Navy, to then, unceremoniously, with less than 48-hours notice, be told that all contracts are canceled. We recognize that such a procedure has given you no opportunity to secure other war contracts which would enable you to maintain a working force in the Brewster Long Island and Johnsville plants. Recognizing the financial structure of the company, we know that you are unable to maintain this working force long enough to enable them to make change-overs and secure additional orders.

Because the Navy is so obviously unfair, we refuse to accept the normal results of such termination. We, therefore, offer to remain at work (those of us who would be laid off in this termination) without pay to enable you to obtain other work which will aid in the war effort and keep intact a vital war-production plant. Discipline will be maintained; production will be met; and our every effort will be to assist you in keeping alive an organization which has become a part of our daily lives, an organization to which we have contributed and of whose record we are proud.

Looking forward to an immediate response, I am,

Sincerely yours,

RICHARD T. FRANKENSTEEN,
Vice President, International Union U. A. W., C. I. O.
ANGELO D. STORTI,
Chairman, Joint Shop Committee, Local 365, U. A. W., C. I. O.

Senator MURRAY. If you are able to negotiate new contracts, you would consider that a very generous offer on the part of the union?

Mr. LOCKWOOD. We would indeed, sir, and we do.

Senator MURRAY. Have the relations between the union and your concern been satisfactory?

Mr. LOCKWOOD. They have been very satisfactory since October 1943.

Senator MURRAY. Do you consider the union contract with your organization workable and satisfactory?

Mr. LOCKWOOD. I consider it very workable.

Senator MURRAY. Have you received any communications from the Navy or the W. P. B. commenting upon your production record?

Mr. LOCKWOOD. Yes, we have received a number of telegrams which I have here.

Senator MURRAY. You may read them into the record.

Mr. LOCKWOOD. The first one was dated January 8, 1944, and it is addressed to "The men and women of Brewster Aeronautical Corporation."

Your splendid achievement in producing 65 Corsairs 2 days ahead of your December schedule is worthy of commendation. By establishing this precedent, you have shown your determination to speed the delivery of more of these vital planes into the war zones where they are so urgently needed. This is a spirit which speaks well for the success of your "beat-the-schedule" campaign about to be inaugurated at Brewster. Keep up the good work.

C. W. WOODWARD,
Rear Admiral United States Navy,
Incentive Division.

The next telegram is dated January 11, 1944, and is addressed "To the men and women of Brewster Aero Corporation."

A Corsair shares the glory of Second Lieutenant Alvin J. Jensen, Marine fighter pilot who won the Navy Cross for his spectacular achievement of destroying 24 Jap planes on the ground at Kahili airfield. The only member of his squadron who managed to reach the objective through a driving rainstorm, Lieutenant Jensen dived through enemy antiaircraft to smash a group of 12 bombers, 4 dive bombers, and 8 Zeros. It should be a source of pride to every Brewster employee building these famous fighter planes that a Corsair has once more proved its superior speed and maneuverability in combat.

D. C. RAMSEY,
Rear Admiral United States Navy,
Chief of the Bureau of Aeronautics.

The next was a telegram dated March 3, 1944, and addressed to Henry J. Kaiser, Jr., Brewster Aeronautical Corporation, Long Island City, N. Y.

Was most favorably impressed by my visit to Johnsville yesterday. Conditions reflect general improvement in Brewster production situation. Your ability to exceed current schedules is gratifying. Authority is extended to increase production from four to five Corsairs a day by June. Keep up the good work.

D. C. RAMSEY,
Admiral United States Navy.
Chief of Bureau of Aeronautics.

The next telegram is addressed to "General Manager Brewster Aeronautical Corporation." It was dated March 3, 1944.

The Aircraft Production Board notes with pride that our confidence in your company's ability to meet your February schedule has been wholeheartedly proven as indicated by your fine production record for that month.

C. E. WILSON,
War Production Board, Aircraft Production Board.

The next telegram is dated April 1, also from C. E. Wilson, of the W. P. B. Aircraft Production Board.

The Aircraft Production Board recognizes your steady record of sustained production in recent months and congratulates you for your new high in March.

C. E. WILSON,
War Production Board, Aircraft Production Board.

The next telegram is dated May 15, 1944, signed by John S. McCain, vice admiral, United States Navy, Deputy Chief of Navy Operations. It is addressed "To the men and women of Brewster Aeronautical Corporation."

A compilation by a national magazine shows that of the 11 top American aces in this war, 4 flew Corsair planes. More of these famous pilots made their records in Corsairs than in any other plane, Army or Navy. Together, these four aces knocked down 91 enemy aircraft. Their brilliant combat achievement is a tribute to you men and women who help build their superb fighter planes.

JOHN S. MCCAIN,
Vice Admiral, United States Navy,
Deputy Chief of Navy Operations.

Senator MURRAY. In view of the satisfactory record you are making, there was no reason for the termination of the contract because of any defect in the production record at your plant?

Mr. LOCKWOOD. No reason whatsoever of that nature.

Senator MURRAY. Did you ever learn what the reasons were for this sudden termination or cut-back?

Mr. LOCKWOOD. I have a letter from Mr. Gates, Assistant Secretary of the Navy for Air, in reply to a letter which I wrote tim.

Senator MURRAY. Will you introduce both letters?

Mr. LOCKWOOD. They are quite lengthy.

Senator MURRAY. Read your letter to him first, and then his letter to you.

Mr. LOCKWOOD. My letter to Mr. Gates reads as follows:

Hon. ARTEMUS L. GATES,
Assistant Secretary of the Navy for Air,
Navy Department, Washington, D. C.

DEAR MR. GATES: The purpose of this letter is to confirm the results of the conference with the representatives of Brewster Aeronautical Corporation had with you and other representatives of the Navy Department on Friday, May 19, 1944, and to inform you of the decision reached by the board of directors of the company with reference to the question on which we undertook to report to you by Monday morning, May 22.

At our conference on Friday, the representatives of Brewster advised you and your associates that the company took the position that any termination or curtailment of the contract between the company and the Navy Department for the production of Corsair fighters would be unwarranted and gave you our reasons for this position.

You stated that the Navy Department had definitely decided to terminate the Brewster Corsair contract prior to completion, and that the only question open was the point of termination. You stated that this decision was part of a general program for cutting back fighter production, and was not due in any way to the retirement of Mr. Henry J. Kaiser from the management of Brewster nor to any dissatisfaction with the new management of Brewster elected at the annual meeting of May 17. You also stated that the Navy's action was not due in any way to any dissatisfaction with Brewster's current record of performance and you affirmatively commended that record.

The representatives of Brewster stated that, if there was to be a curtailment of the company's Corsair contract, it ought not to become effective prior to delivery of the one thousandth plane, with the rate of production somewhat reduced so as to give the company about 4 months in which to obtain and get into production on other war work.

You stated that the Navy Department was unwilling to accept a cut-off point as late as the one thousandth plane and was thinking in terms of termination at about the seven hundred and fiftieth plane. You also stated that the Navy Department would not be satisfied to delay completion of deliveries beyond July 1, which would mean that the planes would have to be delivered at the rate of about 24 per week during the period until July 1. You stated that if the company was unable, in view of the changed conditions, to deliver planes at this rate, the Navy Department would wish to terminate deliveries on or before Friday, May 26.

The company's representatives were asked to inform the Navy Department by 9:00 o'clock on Monday morning, May 22, whether the company believes that it will be in a position to deliver planes at the rate of 24 per week under the new conditions.

We also discussed at our conference on Friday the question whether the Navy Department would permit borrowings under the present V-loan or a modified loan for the purpose of maintaining a corporate organization to complete the liquidation of the company's terminated contracts. It was indicated that this would be permitted and that the company would be advised in due course as to the procedure for accomplishing this.

The representatives of the company also asked you whether the Navy Department would have any other work for which it would wish to utilize the facilities and organization of the company in replacement or partial replacement of the terminated fighter contract. You stated that the Department knew of no such other work at the present time.

We also asked you whether the Navy Department had made any plans for taking over and using for other purposes the Johnsville plant of the company, which is under lease from Defense Plant Corporation. You stated that the Navy Department had no plans at the present time for the use of the Johnsville plant and that we could properly assume that the Johnsville plant would be available to the company for other work.

At a special meeting of the board of directors of the company the question whether the company would be in a position to deliver planes at the rate of 24 per week under the new conditions was considered. The conclusion reached by the board of directors was that the company could not make any promise as to the number of planes which can be delivered under these conditions. The company, however, is eager to make every effort to meet the desires of the Navy Department with reference to the delivery of planes with a view to avoiding cessation of deliveries prior to the latest date acceptable to the Navy Department, i. e., July 1. In this connection, we should like to point out that the Navy Department could give its termination notice to become effective on July 1, with a reservation of the right to accelerate this date if thereafter the Department is not satisfied with the rate of delivery of planes or any other conditions with reference thereto.

We feel bound to state that the company has not been given any information which satisfies us that any curtailment of our Corsair contract is wise from the standpoint of the best possible utilization of the available manpower of the country or the most economical and effective prosecution of the war effort, and that we believe that the Navy Department's sudden action is inconsistent with sound termination procedure and unjust to our employees and stockholders. Nevertheless, the company is prepared to cooperate with the Navy Department in every way possible in carrying out the decisions reached by the Department.

Very sincerely yours,

BREWSTER AERONAUTICAL CORPORATION,
By PRESTON LOCKWOOD, *President.*

Yesterday, May 29, I received the following letter from Mr. Gates, dated May 26, 1944, from the office of the Assistant Secretary of the Navy for Air, Washington, D. C.:

DEAR MR. LOCKWOOD: This is to acknowledge receipt of your letter dated May 22, 1944, in which you state that its purpose is to confirm the results of the conference had between your company's representatives and representatives of the Navy Department and me on Friday, May 19, 1944, and to inform me of the decision reached by the board of directors of Brewster with reference to the question on which you undertook to report by Monday morning, May 22.

As regards the termination of the Corsair fighter contract, you have already acknowledged receipt of the notice of termination which was delivered by the Navy Department to your company on May 22, 1944, together with the accompanying letter signed by Admiral Ramsey.

As regards your references to borrowings under the V-loan I understand that Brewster has been requested to submit as early as possible, but not later than June 1, 1944, an estimate of anticipated overhead expenses applicable to the fighter contract during the period that that contract is being terminated. Upon receipt of these estimates, the Navy Department will be glad to consider this matter further with you.

As regards your reference to the use of the Johnsville plant, Admiral Ramsey has today telegraphed you on the subject.

With reference to the last paragraph of your letter in which you state that you have not been given any information which satisfies you that any curtailment of the Corsair contract is wise from the standpoint of the best possible utilization of the available manpower of the country or the most economical and effective prosecution of the war effort, you have been advised that the curtailment of your contract was due primarily to a change in military requirements and to an attrition rate for Corsair airplanes substantially less than had been anticipated. The reasons why the cut was concentrated at Brewster have also been given you, namely—the extent of the reduction in the Corsair program made it apparent that there would not be a sufficient number of airplanes produced to permit the efficient utilization of the plants of all three companies producing Corsairs.

A proportionate reduction for each company would have been so large that it would simply have meant that in all three companies production would have been disrupted, unit costs would rise for all three companies, and efficiency would fall in all three companies. The solution of the problem which would

have the least damaging effect on war production generally was, therefore, to concentrate the cut with one producer.

The Corsair was designed and developed by Chance Vought Aircraft Division of United Aircraft Corporation, which then made the necessary engineering information available to Goodyear Aircraft Corporation and Brewster to enable them to go into production. Chance Vought has acted as engineering adviser to the other concerns and has assumed responsibility for the week-to-week changes put into the airplanes by all three producers as dictated by combat needs. Chance Vought is developing several advanced and special performance versions of the Corsair, as well as conducting a number of experimental and development projects for the Navy Department.

Goodyear Aircraft Corporation, for its part, is developing a new fighter which will succeed the Corsair in its plant when production can be begun. Goodyear is also a subcontractor for parts of other essential Army and Navy airplanes.

It is apparent that during the development of the more advanced models at Chance Vought and Goodyear, a productive organization hust be kept intact in each plant so that an orderly transition to the new models can be made without loss of efficiency. A substantial cut in the Cosair production at either company would disrupt such productive organization and thus have an adverse effect on these projects. Too drastic a contraction of the work load at Goodyear would also damage the war work on which Goodyear is a subcontractor.

By contrast to the situation of Chance Vought and Goodyear, Brewster has no other work of importance to the war effort which would be affected by a termination of its contract for Corsair airplanes. It has the smallest output of any of the three. It is the highest cost producer of the three and suffers from the inherent weakness of operating in two plants situated at some distance from each other, at Long Island City and Johnsville, Pa. In addition, Brewster represented to the Navy Department that it would have considerable difficulty in completing its contract for Corsairs if it did not receive a further contract for airplanes, which was impossible in view of the reduction in over-all fighter requirements.

I would like to emphasize again that the cancelation of the Brewster contract was not brought about by dissatisfaction on the part of the Navy with either the management of Henry J. Kaiser or the new management which has just taken office.

Your offer to cooperate with the Navy Department in every way possible in carrying out the decision reached by the Department is appreciated.

Sincerely yours,

ARTEMUS L. GATES.

Senator MURRAY. Have you any comment to offer in connection with this correspondence?

Mr. LOCKWOOD. I have this comment, that I still think it would have been more economical and more effective if the full force of this over-all cut had not fallen on Brewster.

We are in a No. 4 labor market. The other companies making Corsairs are in a much more critical labor market. We have progressed so far in the making of these planes that, although I cannot give our cost figures exactly and cannot give them at all for the other companies, it would appear economical at least to finish the thousandth plane and then see where we stood.

We requested the Navy Department to make a careful study of comparative costs and see if we were not correct in our estimate.

I will ask Mr. Peacock to say a few words about that thousandth plane, and what it would have done for us.

Mr. PEACOCK. I made the statement before that the thousandth plane would have permitted us to retool to get additional business. That is the main point why we asked the Navy for the thousandth plane.

Mr. LOCKWOOD. We also feel that we could have made these advanced types of Corsairs as economically and as promptly as the other companies involved.

Senator MURRAY. If there had been a carefully prepared program of termination so as to permit your plants to be furnished with the new contracts, you would have been in a position to go forward at your plant and carry out any new production work that the services would require?

Mr. LOCKWOOD. We believe so.

Senator MURRAY. I will ask Senator George and Senator Ferguson if they have any questions.

Senator FERGUSON. No questions.

Senator GEORGE. No questions.

Senator MURRAY. Thank you for your statement.

Mr. Frankensteen is the next witness here.

STATEMENT OF RICHARD T. FRANKENSTEEN, VICE PRESIDENT AND DIRECTOR OF AIRCRAFT, UNITED AUTOMOBILE WORKERS, CONGRESS OF INDUSTRIAL ORGANIZATIONS, LONG ISLAND CITY, N. Y.

Senator MURRAY. Have you any preliminary statement you would like to make in connection with this situation?

Mr. FRANKENSTEEN. Yes; I have.

Senator MURRAY. You may proceed to give it.

Mr. FRANKENSTEEN. Well, all of us recognize the tremendous blow that hit this country at the time of Pearl Harbor. I should like to say that, from an industrial worker's standpoint, this Brewster situation fits in the same category as did Pearl Harbor. It is a blackout of post-war planning as far as the industrial worker can see.

I might point out that 9 months ago I was requested by the Navy, and given a No. 2 priority, to fly from the city of Detroit to Johnsville, Pa., to end a labor stoppage in a strike at the Johnsville plant. I flew into that situation. We ended it; and since that time I might point out that there has not been one single stoppage of production in the Brewster plant.

Mr. Kaiser stepped in as the management of this concern. I don't want to go into the background and castigate prior management or our own union in that situation. Let me just say that the situation was very bad prior to the entrance of Mr. Kaiser and the new attitude on the part of our people in that plant.

But in the last 9 months it has been exemplary and outstanding in its record.

I don't think that anything has so shaken the working people of this country as this termination of a major contract in a war period. The workers feel that if it can happen now, what can they look forward to in the post-war.

Just a few weeks ago the Navy issued a bulletin in which they commended the makers of the Corsair plane and told of the tremendous record that the Corsair had made, and yet overnight, without notice, without discussion with anyone, they terminate this contract.

My organization is the sole and exclusive bargaining agency not only for Brewster but for the other two suppliers of Corsair planes

to the Navy—Vought-Sikorsky at Bridgeport, Conn., and the Goodyear at Akron, Ohio.

I have had occasion to discuss this situation with the officers of both of the other producers. I might say that in Akron, Ohio, which is an acute labor shortage area, they have hired everyone that is available. I had the opportunity of going through the Goodyear plant just 4 weeks ago. At that time I sat with the vice president of that company and with some of the other officers of the company, as well as officers of our union, and I was told that their manpower situation was a very serious situation, that the new 26-year-old-draft idea was going to hit them very hard because they had so many young people in their plant.

I might say that the Navy intervened on behalf of many of those people and asked for deferments so as not to affect the manpower situation in the Goodyear plant. The manpower situation was that acute.

They have asked us—I believe it was Mr. Wilson—about importing Mexican labor into these situations and into Akron, Ohio, for the purpose of meeting production schedules. The same situation applies in Bridgeport, Conn., where we have a tremendous acute labor situation.

Yet they arbitrarily choose the New York area, a No. 4 labor area, in which to cut production.

We went along with a committee of our leaders to see Mr. Gates and Mr. Bayard, and the admiral sitting back there, to discuss this situation. We asked them to extend this contract by 250 planes. We said that if they would put 250 planes in this plant, that we would lend every effort, as we have been doing, to cooperate with the management in getting other work which would enable them to keep their organization alive.

We were encouraged with the interview and told that we would have an answer the next morning. I believe that our words carried some weight, at least to the point that they have given consideration to it, but the next morning we were told that they had decided to stay on their position.

Now, if their position was such that they couldn't give us or didn't give us a positive answer at that time, certainly there was some merit, at least of doubt, as to its advisability.

Now, maybe it is true that costs are greater in Brewster than in Goodyear or in Vought-Sikorsky, but I think this point should be made: Costs at this point of production in the Brewster plant are lower than at the similar point of production in either Vought-Sikorsky or Goodyear. They are producing their planes cheaper than in either of those places at a similar point of production.

Senator MURRAY. You would expect a further efficiency would develop at this plant?

Mr. FRANKENSTEEN. Very definitely. I think that if Mr. Kaiser had been allowed to remain or if his engineering management, which was left with this concern and was still there, had been allowed to continue, within the next few months they would have been the lowest-cost producer of Corsair planes in this country.

I don't want to involve personalities in this situation, but I cannot refrain from saying that we feel that the top navy is the Wall Street navy. They represent the Wall Street point of view, so much so that one of the top three men of the Navy Department, in our conference, made this statement to us: That he was very much concerned with our problem, recognized the seriousness of it, but was more concerned as to the small stockholders. I don't think that statement can rest very well with the working people of this country who are doing all in their power to turn out planes and other armament to win this war.

Senator MURRAY. Who made that statement?

Mr. FRANKENSTEEN. Mr. Gates.

I should like to read a letter which we have sent to the President of the United States, and the original letter to Mr. James Forrestal, Secretary of the Navy. This letter was dated as of yesterday:

MY DEAR MR. PRESIDENT: Completely ignoring the many interested Government agencies, the Navy Department has abruptly terminated Brewster Aeronautical Corporation contracts in Long Island City, N. Y.

The sole point at issue is the lack of adequate notice to either the 13,000 workers or other governmental bodies.

The following telegram was sent to the Secretary of the Navy:

"Hon. JAMES V. FORRESTAL,
"Secretary of Navy, Navy Department, Washington, D. C.

"MY DEAR MR. SECRETARY: The International Automobile Workers of the C. I. O. most respectfully but most insistently protest against the manner of Navy contract terminations—as exemplified by the method used in Brewster Aeronautical Corporation.

"Such a method renders nugatory all and any efforts to coordinate the Nation's manpower to the tremendous tasks facing it.

"It is most strongly represented that in view of previous cooperation asked of the International Union, United Automobile Workers-Congress of Industrial Organizations, and the Congress of Industrial Organizations, the action of the Navy Department approaches the point of breach of faith."

The further fact is, that unless the Congress of the United States is presumed by the Navy Department to be acting outside of its scope in creating other Government agencies to cope with just such problems, the action of the Navy must be construed as deliberately flouting the enacted legislation of that body. Neither Defense Plant Corporation nor Federal Housing Administration were notified, thus ignoring an investment in which millions of dollars of United States taxpayers' money is invested. It is bad finance and bad economics, and exhibits a complete indifference to the harmonious cooperation which existed in the past and which, it is most earnestly hoped, will be permitted to continue in the future.

Because of the difficulty in again assembling an industrial unit, the International Union, United Automobile Workers, with the full concurrence of the C. I. O., has asked the workers to cooperate with the management to the extent of standing by for work without wages until the management can ascertain if other work can be obtained.

In the meantime it is respectfully requested that the Secretary examine the political background of the Navy's action. Those in your Department initiating the action could not have been blind to the fact that termination of contracts are of the greatest political significance in this election year, particularly when it is demonstrated that the Department has not planned for or exhibited any consideration of the people thus thrust out of work.

I might add here that Mr. Hoover was defeated as President because of the unemployment problem of this country.

"The apparent motive of secrecy from other departments created by our great President to handle just such emergencies it is respectfully urged, merits your attention.

It would be most reassuring to be informed that the Navy's action was not precipitated by Navy Department people unfriendly to the President of the United States and to Senator Robert F. Wagner, of New York. Such a backdoor entrance into national politics, we feel sure, you would deplore in any department serving under our President.

"The international union, United Automobile Workers, and the Congress of Industrial Organizations respectfully request an early interview with the Secretary of the Navy with the intent of exploring the possibility of creating methods of termination other than those amounting to abrupt dismissal of 13,000 workers without notice.

"A mass meeting of Brewster workers and Congress of Industrial Organizations officials will take place on Thursday evening, 5:45 p. m., at Manhattan Center, New York City. You are cordially invited to attend and address this meeting to present your views of the reasons which underlie their dismissals."

Until the pattern of termination is clearly defined the workers are standing by in the plants without wages. It is most respectfully requested that the President review the problem and its many ramifications, all in a state of emergency by the reason of the Navy's unprecedented unilateral action.

Very respectfully,

PHILIP MURRAY,
President, Congress of Industrial Organizations.
RICHARD T. FRANKENSTEEN,
Vice President, United Auto, Aircraft-Congress of Industrial Organizations.

I have prepared a formal statement which embodies, I think, not only this situation but also takes into consideration the whole policy of terminations. We are tremendously concerned with the morale effect on the country of this situation.

I might just say in passing, that the other evening I sat down with the vice president of one of the largest industrial companies making airplanes and motors in this country, employing 185,000 people. He stated to me that this situation had scared every industrialist in the United States, because if such a policy of termination were allowed to be put into effect it would bankrupt every manufacturer of airplanes in the United States.

The policy is that serious, and certainly it follows that that means industrial unemployment and chaos for the workers of this country.

On Monday, May 22, the union received word from its Brewster local in Long Island that the Navy had suddenly ordered the termination of contracts at the Brewster plants. Thirteen thousand workers who have been making Corsairs were to lose their jobs, those at the Long Island plant within the following week, and those at Johnsville a month or so hence.

This action was taken by the Navy Department, or rather, by the Bureau of Aeronautics within the Navy Department, without notice to the international union, without advance notice to the company, without consultation with the War Manpower Commission, in the interest of minimizing employment dislocations, without consultation with W. P. B., or the War Department, concerning other uses of the plant and its trained labor, and, finally, without even adequate consultation with other parts of the Navy Department.

In short, this is a prime example of the anarchy in procurement programs which labor has warned against since 1941. An anarchy which has been compensated for during the war by imminent national danger, will overwhelm us in the transition to peace when integrated planning is necessary to meet even more imposing problems of coordination.

It is no thanks to the Bureau of Aeronautics that this big plant is not now completely idle or that the 13,000 workers are not completely without employment.

The decision was apparently made without adequate consultation even within the Navy Department. Our office in Washington called the Manpower Section of the Bureau of Aeronautics upon hearing word of the cut-back from our Long Island local. They had not heard anything about it, and called back later in the day, after talking with New York, to say that no workers had been laid off. They apparently had no information about impending lay-offs. Elsewhere in the Navy Department the information had seeped through but was considered highly confidential. Subsequently, I am glad to add, the manpower authorities at the Navy Department have been active in trying to arrange other jobs for the laid-off workers. And the U. S. E. S. has set up an office in the Brewster plant in order to assist in directing workers to other jobs. But this is another case of locking the stable after the horse is gone.

The union had to step in to force some action. I spent yesterday at the Long Island plant. We have arranged with the company for the workers to report for work each day until work is obtained. They reported yesterday and, I presume, were there again today.

I might say that this morning I talked with our people there and production was exceeding the normal, even though our people slept on benches and on the floor last night in the plant. Production was above normal as it was yesterday.

The Navy has been making Corsairs in four localities. The Brewster plant on Long Island has been making parts which have been assembled in Johnsville, Pa.; the Goodyear plant in Akron, and Chance-Vought in Bridgeport, Conn., have been making the completed plane. Why were the Brewster plants selected to absorb the full effect of the cut-back? The Navy's explanation is that their efficiency is lowest. This is true, though it has been rising rapidly and would probably approximate the level of the other plants by the end of the year. Moreover, the contract price at Brewster is below that in the other plants.

It is apparent that the Navy, in selecting the Brewster plants, has disregarded manpower considerations completely. The Long Island plant is in group IV labor-market area, whereas the Akron and Bridgeport plants—I have already described that—and I will not go into it.

Even if we agree that efficiency should be a ruling consideration in determining the location of cut-backs, it is still true that the procedure in this case did not take into account the problems of utilization of manpower. If the least efficient plants are to be cut-back in loose labor-market areas, then attention must be given to assuring that the workers are not permanently displaced and that alternative employment is available immediately. This would have been easy to arrange in the Queens area where the Brewster plant is located even if the Brewster plant itself were not utilized. There is a large amount of unused productive capacity which could be put to work again producing other war equipment or essential civilian supplies. In this connection I should like to quote from an editorial in yesterday's Washington News entitled "A Test Case for Reconversion." The editorial discusses the Brewster cut-back and urges the need for making full use of the plant, its equipment, and its manpower.

I quote:

> The Truman committee has recommended that surplus materials not required for munitions should be made available to manufacturers of civilian goods without delay, in order to avert unemployment where war plants shut down. This is just such a situation. The Brewster cut-back provides an opportunity for useful experiment in reconversion.

Secretary Forrestal appeared recently before the full Senate Military Affairs Committee to urge upon Congress the necessity for adopting national service legislation. It would appear from this and from earlier Navy support for national service legislation that the Navy is seriously interested in the manpower problem. How are we to reconcile this apparent interest with an action like that in the Brewster case? The Navy appears to be doing its best to defeat the voluntary manpower program which this union has supported and which thus far has worked by amazingly well despite the lack of over-all planning in the manpower field.

In yesterday's newspapers, Donald M. Nelson, Chairman of the War Production Board, announced that munitions production had fallen off in the month of April and that airplane production in particular was lagging. April plane output was 7 percent below the March level and 4 percent behind schedule. He says that we need more cooperation among labor, management, and the Government in order to prevent set-backs of any kind. I should like to ask in what respect the Navys' action at the Brewster plant contributes to pulling up our airplane output or to furthering the cooperation which Mr. Nelson urges. Actually the cut-back at Brewster is a set-back to the war program. Plant and labor are at least temporarily unused. I am not advocating that Corsairs be produced if not needed; I am advocating that the cut-back in their production be made after full consideration and consultation, so as to help rather than to hinder war production.

Senator MURRAY. You have been giving considerable study, I am sure, to the problems of the war production. Don't you think that if the Navy were doing its duty it would not be required to make a sudden termination of that kind?

Wouldn't they be able to survey the possibilities of the future, and when the time approached when they would have to discontinue the production of a particular item, a program could be worked out to prevent the plants from being made idle?

Mr. FRANKENSTEEN. Very definitely. I might say this. Mr. Gates and Mr. Forrestal, or one of them, told us that the rate of attrition was much better than expected—to which we all say, Thank God! But surely the Navy Deparement is able to ascertain whether there are losses in the field, they are able to know what is happening to their planes, and to know the uses of these planes in sufficient time so that surely 48 hours was not a proper notice of termination.

We offered other solutions. We suggested that they allow this plant to continue to the one thousandth plane—which would be 250 planes more—which they could take either from the volume of Goodyear or from Vought-Sikorsky, and still continue production without changing.

That part of the statement that was read as coming from Mr. Gates, we can't subscribe to. We know from talking with our own people, that in Akron their forces would not be dislocated if there

were to be a modification of the number of planes that they are now making, because they have many other types of work in those plants.

Senator MURRAY. Some time ago, we were alarmed and frightened by public statements to the effect that labor was unpatriotic, and we were not going to have the production that we should have to win the war. Now, we are told that we have too much production, and there has been this sudden stop of production without substituting any other work or without taking into consideration the necessity for bringing about some civilian production.

It seems to me that, in a situation of this kind, there should have been prepared long in advance a program of production for war purposes or for some civilian work to take the place of this terminating work.

Mr. FRANKENSTEEN. We certainly subscribe to that statement.

The handling of this situation is unfortunately consistent with the bungling which has characterized the handling of manpower problems throughout the war. During the defense period in 1940 and 1941, the lack of intelligent planning resulted, to an unnecessary extent, in the concentration of war contracts in a few large companies and in a few war centers. War production has suffered ever since because of the necessary migration and the resulting overcrowding, lack of adequate housing, and all the other accompaniments of congested areas.

Just on that point, again, the lack of foresight and the lack of knowledge on the part of top Navy officials as to the actual problems of manpower is amazing. One of the statements we were met with the other day was that these workers in the New York area, which was a noncritical area, could pick up and move to some other area, that the soldiers had to do that.

We pointed out that perhaps they think in terms of civilians as a pup-tent civilian army. These workers have families to think of. It isn't like taking care of themselves alone. They are faced with the inadequate housing situation, plus the fact that there may not be just one war worker in a family. It may be that in one home there are war workers in several plants. But that was Mr. Bayard's thinking, that these people could just pick up and go into a crowded area, and that because the soldiers did that the civilians could do it too.

We take second place to no one as to patriotism or as to our desire to produce the goods and win the war. We have been doing that on a voluntary basis, but such a complete lack of understanding certainly doesn't speak well for a person in charge of the labor policy for the Navy.

At that time the labor movement supported the program advocated by the Tolan committee which called for unified civilian control of war production in order to attain maximum efficiency. This program was opposed by, among others, the armed services, who preferred to handle production themselves.

During the years since Pearl Harbor the bungling has continued. There has been a notable lack of coordination among the manpower agencies, including in this category the War and Navy Departments, who felt themselves forced to get into the manpower picture because of the very lack of coordination and centralization which they had successfully opposed.

There has been no effective program for improving labor utilization despite the notorious waste of manpower, particularly in the shipbuilding and aircraft industries. Cost-plus contracts have put a premium on wastefulness and the lack of over-all planning has forced contractors to hoard labor in anticipation of expanded contracts.

In general, manpower problems have been handled on a fire-brigade basis—do nothing until you have a five-alarm fire—each emergency by itself. There was a tremendous furor about nonferrous metal mining even to the extent of furloughing soldiers; there is a similar situation now in the lumber industry. There have been campaigns to get in workers for the destroyer-escort program, for the landing-barge program, for submarine construction, and so on. Within the limitations of the lack of planning, the War Manpower Commission has done extremely well in meeting these emergency situations which, in most cases, were quite foreseeable and might never have arisen.

Recognizing the need for a planned approach to the manpower problem, the labor movement pushed for the adoption of the Kilgore war mobilization bill, S. 607. This bill, if enacted, would have gone a long way toward dealing with manpower problems on a reasonable basis of foresight, coordination and planning. Labor also urged the use of labor inspectors whose function would have been to report on cases of poor labor utilization. We did succeed in getting the present Office of War Mobilization by Executive order, but the Office has done nothing effective on the manpower front except to freeze wages and, by so doing, to make more difficult the work of the War Manpower Commission.

Despite the lack of a set-up such as the Kilgore bill proposed, we have muddled through and have made a magnificent production record. Output has not been as great as it might have been, it did not increase as rapidly as it might have increased, but the result is nevertheless one of which we can be proud. I think, however, that we should examine carefully the basic reason for this success. I believe it is one which will not prevail in the reconversion period ahead of us. If I am right, then coordination and planning is even more important now than it has been up to now.

Success in the manpower field, despite the bungling, has been due to the fact that we have had practically full employment. Workers have been willing to put up with poor labor utilization, with inadequate housing, poor transportation facilities, forced migration, and all the other results of our failure to think the problem through in advance. They have been willing to do so because of war needs and because jobs have been available. If one job was unsatisfactory, it was always possible to go to another. In the period that we are now entering, however, this situation will not prevail unless we quickly mend our ways.

There have been cut-backs and lay-offs occasionally throughout the war program, but most war industries were expanding, so workers who were laid off found useful jobs. Now the layoffs are more frequent, and are extending to all war industries. Half of the workers formerly employed in manufacture of small arms ammunition have been laid off. The Brewster lay-off closely follows a series of less publicized lay-offs in other aircraft factories, and will be followed by

larger lay-offs in other plane plants. Employment in shipyards has been declining, and there will be lay-offs in this industry as well. During the 6 months since last November, employment in the durable-goods industries dropped by more than 400,000, most of it in the munitions industries.

War production is no longer rising, and is actually lower than at the end of last year. This is not because of any labor shortage, or any inability of industry to produce more, but because the production of war materials has been much larger than their use, and much larger than their planned use in the coming invasion of Europe. The Army and Navy, finding it increasingly difficult to store inventories of many types of equipment, is reducing procurement and cutting contracts.

War production remains the most important activity on the home front. It is still of utmost importance to supply the Army with replacement weapons and ammunition, with the newest and best types of weapons, ships, and airplanes. However, the total level of war production will not increase, but will tend to go down.

Employment will decline even more rapidly. The efficiency of labor in munitions manufacture is rising rapidly. Constantly fewer workers are required for each plane, each ship, each shell.

I think that is best exemplified in aircraft production, where today many less workers are required to do identically the same work that was done previously, where mass production methods have come into use, and where learning to do the job has had its results.

Therefore, employment will continue to decline in the heavy industries, and more rapidly than it has so far.

There are no important branches of war production requiring more workers. Employment in both aircraft factories and shipyards will decline. Even in the manufacturing of landing craft, employment will decline, since production is already at peak levels. Increases in heavy artillery and shells for these big guns will merely compensate for lower production of other types of guns. Total employment on guns and ammunition will continue to decline. So will total employment on radio and radar equipment. Alleged shortages on railroads and other war-supporting industries are equally fictitious.

The characteristic of the present situation is that workers laid off by one war factory are no longer, as a rule, able to find work in others. Unemployment has not yet developed, largely because of the heavy rate of inductions into the armed forces. However, with the Army and Navy at peak strength, inductions are being cut in half, and may be cut further, while at the same time hundreds of thousands of older soldiers may be released to hunt for jobs.

If matters drift as they have been, many workers laid off during the remainder of the year will become unemployed; many others will be forced to take low-wage jobs of dubious value in beauty parlors, filling stations, as salesmen, etc.; many women who have patriotically gone to work, and want to continue, will be forced back into their kitchens.

But even more important to me is this thought: I am materially worried about a migration from aircraft plants. If workers feel that suddenly they are to be terminated and cast adrift, they are going to look for permanent places in civilian production. If they feel that the war is over—which certainly would be a very harmful thought to have made prevalent among the people of this country—if that were

allowed to be passed out, then certainly the migrations would be tremendous and the loss of production might very seriously affect this country.

Senator MURRAY. A proper program of war production would prevent the discontinuance of a plant of this kind and prevent that kind of thing developing in the country, if we were getting to the point where contracts were going to be terminated and people would be concerned about unemployment.

Mr. FRANKENSTEEN. That is right. Such a development would be quite dangerous for the still important war-production tasks ahead. Workers in danger of working themselves out of jobs will not produce as efficiently as workers with a reasonable degree of economic security.

And there are other factors at work. While labor has had its wages frozen by the Little Steel formula, it sees big business making tremendous profits. It sees big business opposing planning by the Government but doing a little post-war planning on its own account. Is it any wonder, therefore, that the individual worker becomes restive? He hears so-called hard-headed businessmen talk about getting labor back and down to normal after the war. He sees that failure on the part of the Government to do some bold constructive thinking will guarantee unemployment of upward of 15,000,000 workers after the war with which to get labor down to normal. It is conditions like these that breed wild-cat strikes.

Our union has a record of cracking down on unauthorized stoppages. Only last week our executive board, by unanimous action, removed the 15 officers of a local union on this account.

I might say in passing that we have had two-tenths of 1 percent lost time through strikes in our industry since Pearl Harbor. We are not bragging about the two-tenths, but we do think that the 99.8 percent certainly merits consideration rather than all of the attacks which we have had to suffer.

But I say to you, most earnestly, that control will become increasingly difficult so long as the Government, including the Congress, permits arbitrary cut-backs like that at Brewster. And I might add, as long as the N. W. L. B. continues to operate under its present methods and theories.

If they are to concentrate on war production, the workers require evidence that Government plans for demobilization assure them an orderly transition from wartime to civilian employment. Agreement on the need for doing something later will not satisfy them, no more than industry was willing to wait for a bill on termination of contracts.

Your committee has before it S. 1893, a bill introduced by Senator Kilgore and now sponsored by several other Senators on the Military Affairs Committee. This bill would provide an orderly procedure for handling manpower and other problems in the reconversion period and cancelations during the war. President Thomas, of my union, has already testified before your committee in favor of the general principles embodied in this bill. Let me indicate how this particular cut-back might have been handled were this bill already enacted.

The strategic decision to cut back production of Corsairs would have been made, as now, by the military authorities. But then, instead of an arbitrary decision by a single bureau, the incidence of the cut-back would have been agreed upon by a central agency which would

have taken into consideration the over-all needs of the war program, the importance of maintaining employment, and the possibilities of scheduled resumption of production for civilian use or for export. The decision with regard to the location of the cut-back would have been made by the War Production Board, in consultation with the War and Navy Departments, with regard to alternative uses of the plant for war and civilian purposes; with the War Manpower Commission with regard to minimizing the labor dislocations; and with labor and industry through industry and regional councils.

If any one of the procurement agencies had need of the facilities of the plant to be cut back, plans would have been made in advance for the change-over to the new product. If it proved to be impossible to use all the workers in the plant where it was decided that the cut-back could most advantageously be made, a program would have been immediately available for transferring them to other plants in the locality or in the industry. In the event that some delay was inevitable in getting the workers into new jobs, there would have been an adequate system of unemployment compensation to tide them over.

With the war-production program already on the decline, the maintenance of full employment will depend upon the carefully scheduled resumption of civilian production and upon production for export.

Many factories, particularly the smaller ones, where war employment has been falling for a year, could produce useful and necessary civilian items. They would thus help the war effort by improving the working and living conditions of the war workers. Careful attention must be given to the planning of such work. It does not further the war effort to do as W. P. B. recently did—to deny the Smaller War Plants Corporation a small steel allocation with which small plants might have produced needed consumer durables.

Similarly attention must be devoted to developing and scheduling production for export. Supplies of war materials, medical supplies, and food have been very meager to some of our allies, notably China and Yugoslavia. French North Africa and the liberated portion of Italy could become valuable adjuncts to the war effort with the supply of needed industrial equipment, farm machinery, et cetera. The same applies to increased supplies for Latin America, as a contributing factor to our long-run economic welfare and to cementing the unity of the hemisphere. Our great ally, the Soviet Union, wants prompt shipments of huge quantities of equipment and materials for restoring the vast reconquered territories. Supplies for our allies can take up a large part of the slack caused by reduced requirements for our own armed forces. However, it is well known that the W. P. B. and the Army, in spite of the growing surplus of United States capacity, continue to pursue a niggardly policy toward all F. E. A. requests and other Allied requirements.

I understand that your committee is working on a revision of the George-Murray bill, S. 1730, designed to accomplish these and similar objectives. Whatever bill you report should contain at least the following provisions essential to an orderly handling of the problems involved in assuring a reconversion which will take place without interference with the war program and without serious manpower dislocations:

First. There should be a central agency for war mobilization and adjustment. This agency should have full authority over both war production and the shift from war production to civilian production.

Second. Within the over-all office there should be an agency corresponding to the Bureau of Programs, as called for in sections 102 and 104 of the Kilgore bill. This central planning agency should be equipped with adequate technical and statistical assistance.

Third. It is essential that there should be an independent representative body consisting of representatives of industry, labor, and the public, with which the Director of the Office of War Mobilization and Adjustment shall consult on all basic policies. The Kilgore bill meets this requirement by proposing a national production-employment board. In the case of the current cut-back, the existence of such a board would insure that all aspects of the problem were fully considered. It would be able, for example, to recommend to the Surplus Property Administration what might be done about the Brewster plant so that it would be utilized more effectively.

Fourth. Provision should be made to strengthen the authority and effectiveness of the War Production Board in order to allow it to handle on a centralized basis the simultaneous problems of changing war production needs and reconversion to civilian production.

Moreover, provision must be made for more adequate labor representation with W. P. B. In the present situation the interest of the whole country, of the many businessmen who want to produce, of the smaller enterprises, of labor require that workers have a significant voice in production decisions, in allocation of materials, in establishing export and civilian goods programs.

There are at present two mechanisms through which labor has a very weak and indirect voice in such decisions. One is the system of labor advisory committees attached to the War Production Board, and the long-range public reconversion advisory committee set up last month by Mr. Nelson. This set-up is wholly advisory and remote from the real decisions.

The other is the new staff of the Production Executive Committee of W. P. B., under Mr. Wilson, on which labor has some representation through the Manpower and Labor Production Offices of the W. P. B. This staff has expressly been limited to advisory functions, and may not even get information on cut-backs until after the event.

Labor has the right to direct representation on the actual centers of policy making in war production, such as War Production Board and Production Executive Committee. If these agencies have such representation, and if they can exercise some supervision over the procuring agencies, which is not always the case today, the basis for a constructive adjustment of war-production cut-backs would be created.

Fifth. There should be a system of industry and regional councils representative of industry, large and small, and of labor. This would solve locally problems susceptible to a local solution. With such boards in operation it is inconceivable that the Brewster situation would have been handled as it was.

Sixth. War workers and war veterans should be treated alike so far as job placements and unemployment compensation are concerned. Every effort must be made to avoid the division between these two groups which reactionary forces are seeking to develop. And I might say that 300 veterans of this war, led by a legless veteran of this war, marched from the Brewster plant down to the mayor's office in the city of New York to protest against this arbitrary cut-back or termination.

We do so much talking about providing for these returning veterans, but there was a classic example of what many of these veterans will return to. Many others will return to find out their plant was completely liquidated.

No legislation will be satisfactory to our organization which provides separate treatment with respect to jobs for returning servicemen and for war workers. This applies to placement procedures and training opportunities.

7. The opportunity is at hand for the adoption of satisfactory emergency unemployment compensation measures. These are essential to an orderly transition period and will be steps toward the adoption of more permanent legislation such as that embodied in the Murray-Wagner-Dingell bill. Emergency legislation should include extension of coverage to workers now excluded from the State laws; substantially increased benefits with dependency allowances running up to $35 per week, and the provision that they may amount to as much as 80 percent of prior wages, and duration of benefits to range up to 52 weeks.

The labor movement is convinced that an orderly approach to the reconversion period is essential both for maintaining war production at the necessary pitch to insure a successful invasion, and for assuring the continuance of full production and employment as we shift back to civilian production. We believe that legislation is necessary to insure such an orderly transition period. Among the bills before your committee at the present time, S. 1893, comes closest to meeting the requirements of the situation as we see it.

Labor has opposed S. 1730 as originally proposed, not because of opposition to any of its specific features, but because the bill is based on the fallacious notion that what is necessary is to return to normalcy. A "return to normalcy" means unemployment for about 15,000,000 workers. Labor doesn't want that kind of "normalcy." Labor wants jobs not only for the present labor force but also for 10,000,000 servicemen. This will require not only planning, but a new sense of responsibility on the part of government and business.

If business means what it says—that it is planning for full employment—then it should have no objection to adequate unemployment compensation. Its costs will be negligible. The floor under consumer purchasing power which this would provide would serve to sustain industry wherever the need arose.

We ask that you report out S. 1893 or a bill which does not fall below the minimum standards provided in the Kilgore bill. I believe that under present circumstances such a measure would receive wide support not only from labor but from industry and from the administration.

In coming back to the Brewster situation, I want to express my appreciation that Senator Ferguson is here. I think that he can perhaps recognize what this does to the morale of our people of Michigan, where all of our people today are engaged in war production.

I think it is vital that some concrete action be taken, first, to have the Brewster situation, even if it may cost us some money and even

if it requires saving the Navy's face by putting in Army or private contracts.

Secondly, I think it is most important that this Brewster case serve to make a pattern wherein this type of situation that we have gone through and are facing today cannot recur in America during this war or after.

I certainly appreciate this opportunity of appearing, and I appreciate your committee's calling this meeting to bring the facts to light.

Senator MURRAY. Mr. Frankensteen, we were very glad to have you here. I think your testimony is very constructive, and your recommendations with reference to proper legislation to meet the problems of termination of contracts in post-war adjustments are of extreme importance.

The legislation which is to be prepared is to contain the best features of all of the bills that have been before us and perhaps additional provisions. I can't think of anything more important than this program of meeting problems that are going to come before us as the war terminates and as these contracts are being terminated, presenting problems that are very serious and dangerous to our country.

I want to thank you for your very fine statement here this morning. I think it will be very helpful to our committee.

The next witness is Mr. Julius Amberg.

STATEMENT OF HON. JULIUS AMBERG, SPECIAL ASSISTANT TO THE SECRETARY OF WAR

Mr. AMBERG. Mr. Chairman, the committee has asked us, of the War Department, three questions, and I have with me Maj. Gen. Bennett E. Myers, who is the Deputy Assistant Chief of the Air Staff, Material, Maintenance, and Distribution, who, under General Echols and the over-all command of General Arnold, has to do with the procurement of all aircraft for the Army.

The three questions are (1), whether the War Department was notified by the Navy Department of the impending cancelation at Brewster, and, if so, when; (2), whether the War Department is familiar with the facilities and manpower available at Brewster, and is interested in their use, and (3), if the War Department is interested in their use, what steps have been taken to employ such facilities and manpower.

General Myers will answer those questions, so far as they relate to the Air Forces, but before asking him to take my place, I have handed the committee, and will also put in the record, the order of General Somervell, of the Army Service Forces, of March 13, 1944, which sets forth the principles governing cut-backs on the part of the Army other than the Air Forces.

As you know, the Army Service Forces probably have had more experience with cut-backs than those in the aircraft production field, which has been expanding, and I just filed with the committee the rules that now govern the Army Service Forces in determining upon cut-backs.

Now, I understand that the same general principles are adopted by the Air Forces.

(The rules referred to are as follows:)

WAR DEPARTMENT,
ARMY SERVICE FORCES,
OFFICE OF THE COMMANDING GENERAL,
Washington, D. C., March 13, 1944.

Changes in production programs are necessary as the war progresses from one stage to another. It is vitally important that we make these changes if lives are not to be unduly sacrificed and the taxpayers' money is not to be spent for munitions which have become obsolete or semiobsolete due to changes in operational demand, enemy tactics, terrain, or climatic conditions. Such changes can have extremely serious consequences on the economy as a whole and upon living conditions and employment in particular areas. It is therefore essential that all reductions in programs and cancelations of contracts be given the most careful consideration. The Army Service Forces will adhere to the procedures described in the following pages in the implementation of changes in its programs.

BREHON SOMERVELL,
Lieutenant General, Commanding.

SUMMARY OF ARMY SERVICE FORCES CUT-BACK PROCEDURES

1. Requirements Division reduces required production with concurrence of Production Division and transmits revision to Technical Service involved.
2. Production Division advises Washington offices of War Manpower Commission and War Production Board of impending change, and of the names of all facilities which may be involved, together with a preliminary estimate of the total number of employees which may be released.
3. The Technical Service obtains recommendations of its district procurement offices as to plants to be cut back.
4. Decision is made as to specific plants to be cut back.
a. Minor cut-backs approved by operating personnel in Technical Service.
b. Major cut-backs approved by Technical Service Board of Review.
c. All cut-backs involving Government-owned facilities approved by Headquarters Board of Review and Under Secretary of War.
5. Upon approval of specific plan for implementation of cut-back:
a. District procurement offices notify regional offices of War Manpower Commission, local labor, and management; and, if cut-back is of major importance, release statement to press.
b. Washington headquarters of Technical Service notifies War Department Bureau of Public Relations, War Department Special Staff, Director of Matériel, Army Service Forces, and Industrial Personnel Division, Army Service Forces. Washington offices of War Production Board and War Manpower Commission are in turn notified by Army Service Forces Staff Divisions.
6. War Manpower Commission plans for other utilization of labor to be released.
7. War Production Board plans for other utilization of facilities to be released.

1. In order to obtain the most effective utilization of manpower, facilities, and materials, it is essential that the War Manpower Commission and the War Production Board be notified of any proposed cut-backs, with the names of the facilities which may be involved and their location, and the estimates of the number of people to be released, as much in advance of the effective date of the cut-back as possible. These agencies are then in a position to make plans for the use of the labor and to act promptly when the cut-back is implemented. The following is an outline of the Army Service Forces procedures which are in effect to achieve these objectives.

ADVANCE INFORMATION ON PROGRAM CHANGES

2. The Requirements Division, Army Service Forces, supervises periodic general revisions of the Army supply program in the light of the most recent available information as to troop basis and deployment, tables of equipment and allowances, stocks on hand, issues, replacement factors, etc., in accordance with A. S. F. Circular No. 67. In addition, interim changes in Army supply program objectives for specific items are processed whenever warranted. All proposed revisions in Army supply program objectives are reviewed in the Production Division from the standpoint of production feasibility. Such consideration includes an

examination of the reasonableness of the time and quantity objectives and of the effect thereof on facilities, materials, products, and components.

3. Information concerning approved program changes and as soon as available in the case of reductions, the names and locations of all facilities producing the items, and a preliminary estimate of the total number of employees to be released is disseminated at weekly meetings held by the Production Division. These meetings are attended by representatives of the Industrial Personnel Division, Army Service Forces, the Deputy Vice Chairman for Production, War Production Board, and the Bureau of Planning and Statistics, War Production Board, who participate in the discussions and obtain information required for their respective functions. The representative of the Industrial Personnel Division, Army Service Forces, obtains data relating to the probable effect on manpower for transmission to the War Manpower Commission. These meetings are also attended by the interested branch chiefs of the Production Division, through whose organizations data with respect to the effect of program changes on facilities, materials, products and components are transmitted to the various Industry Divisions in the War Production Board. This information is also forwarded to the following: Mr. Tudor Bowen, Director, Procurement Policy Division, War Production Board; Mr. H. E. Riley, office of the Vice Chairman for Manpower Requirements, War Production Board; Mr. Joseph D. Keenan, Vice Chairman for Labor Production, War Production Board; Col. Ralph F. Gow, Bureau of Public Relations, War Department; Maj. Bryce N. Harlow, Legislative and Liason Division, War Department Service of Supply.

BOARD OF REVIEW PROCEDURE

4. In connection with program reductions which involve more than one contractor and a substantial amount of production equipment or a substantial amount of employees, it is considered essential that every possible step be taken by the War Department to insure an equitable distribution of the cut-back among the contractors involved.

5. For this purpose each technical service has established a board of review consisting of not less than three officers of no lower grade than lieutenant colonel who have knowledge of production and procurement problems but who do not have primary responsibility for negotiations with War Department contractors.

6. In addition there has been established an Army Service Forces headquarters board of review consisting of the Director of Production Division as chairman, the Director of Industrial Demobilization, and Directors of Requirements, Readjustment, and Industrial Personnel Divisions. It is the responsibility of each member of the headquarters board of review to examine the recommendations of the boards of review of the technical services from the viewpoint of the mission, duties, and functions of his office or division.

7. When, in the opinion of the chief of a technical service, changes in the Army supply program are of a magniture that warrant such consideration, and in all cases where Government-owned facilities are involved, the chief of the unit, branch, or division of a technical service which has primary responsibility for the procurement of the item reviews all existing contracts and makes recommendations to the technical services board of review respecting the distribution of the cutback among the contractors. These recommendations are made after appropriate consultations with technical services district procurement offices. In selecting contracts to accomplish the necessary readjustment and curtailment of production the following factors are considered:

(*a*) The effect upon the available supply of labor. Cut-backs and cancelations in No. I and No. II labor areas will, depending upon the magnitude of the reduction, ease or terminate the difficulty of securing adequate labor for other war contracts.

(*b*) In order to carry out the intent of Public Law 603, smaller war plants defined as independent concerns with 500 wage earners or less, are retained in a program wherever practicable, likewise large contractors whose volume is reduced in a curtailment program are urged not to cut their subcontracting volume to small plants by an amount greater proportionately than their own reduction.

(*c*) The prospective alternative uses for the plants under consideration, including the possibility of their use in other war work, the desirability of retention in stand-by or their employment in other essential production. It may be advisable to make reductions in the contracts at facilities which are having difficulty in meeting desired schedules in order to enable such facilities to improve their performance on remaining contracts.

(*d*) Arrangements are made to maintain Government-owned facilities in which production is materially curtailed or terminated in standby until the productive capacity is clearly no longer required for military needs.

(*e*) Security considerations.

(*f*) The effect on public transportation; that is, accessibility to the sources of raw materials, components, depots, or storage facilities, and ultimate destination.

(*g*) The relative unit costs of production to the Government of plants producing the same item.

8. The recommendation submitted to the technical services board of review includes data on current and prospective requirements for the item under consideration and data by facilities showing maximum, current and proposed production rates, unit costs, labor areas, labor currently employed in total production at each facility and portion thereof engaged in production of item under consideration, estimates of labor to be released and other pertinent data including a concise summarization of reasons for recommendations with respect to adjustments in facility utilization.

9. A general policy has been established within the Army Service Forces to the effect that wherever practicable the reserve capacity of industry will be utilized in lieu of the production of reserves of complete end items. In order to implement this policy the February 1, 1944, Army supply program for certain items was adjusted to provide for a required production which was considerably lower than the computed need. This was done on the assumption that within a maximum of 6 months production could be increased to the rate which would, if continued for a period of 12 months, produce the computed figure. This policy requires that certain cut-backs be implemented in such a way as to retain reserve capacity which can be brought into production at a later date. This would contemplate the operation of some facilities at a reduced rate and in other cases their retention in a reserve condition. The recommendation to the technical service board of review will include detailed analysis of criteria used and reasoning applied to the choice of reserve facilities.

10. The technical service board of review considers the recommendations submitted in accordance with the foregoing paragraphs and forwards the proposals together with its concurrence or recommendations to the chief of the technical service. The chief of the technical service approves final determination of action to be taken and forwards the technical service recommendations to the headquarters board of review.

11. The headquarters board of review, in cases which involve the complete or partial shut-down of Government-owned plants presents the case with appropriate comments through the Director of Matériel to the Under Secretary of War for his consideration and approval. In cases which involve complete or partial shut-down of privately owned plants, the headquarters board of review returns the recommendations with appropriate comments or suggestions through the Director of Matériel to the chief of the technical service concerned.

INFORMATION CONCERNING THE RELEASE OF FACILITIES AND LABOR

12. After a decision has been made as to the specific plants to be cut back the Production Division is advised of the names and locations of the specific facilities to be affected, the estimated number of employees to be released by plants, by months, the percentage of employees to be released to total employed in each plant, and the date the War Manpower Commission and the War Production Board should be permitted to contact the manufacturers and discuss the utilization of labor and facilities to be released. This information is discussed at the weekly meeting of the Production Division and is sent to those listed in paragraph 3.

13. The district procurement office of the technical service having responsibility for the procurement involved notifies the regional office of the War Manpower Commission in the area in which affected plants are located of the cut-back. If the office making the notification has knowledge of subcontractors and suppliers who will be substantially affected, notification concerning these firms will also be transmitted to appropriate War Manpower Commission regional offices.

An official statement is prepared in the Washington headquarters of the technical service announcing the curtailment and the reasons for it. This statement is furnished to the War Department Bureau of Public Relations, the Legis-

lative and Liaison Division, War Department Special Staff, the Director of Matériel, the Industrial Personnel Division, Army Service Forces, the regional office of the War Manpower Commission, and the field office of the technical service where, if the cut-back is of major importance, a statement is released to the newspapers.

14. Certain areas have been designated by the Production Executive Committee of the War Production Board as critical labor areas, and production urgency and manpower priorities committees have been set up in these areas to balance manpower supply and requirements. Representatives of the War Production Board, the War Manpower Commission, and the procurement agencies make up these committtees. There are at present committees in 10 areas, and the plans are under way for the formation of somewhat similar committees in some 60 to 100 other areas. These committees are empowered to require plants which need additional labor to subcontract their work, either to points outside the critical area where a surplus of labor exists, or to firms in the critical area which have surplus labor, usually the result of a contract cut-back. When cut-backs occur in areas where they exist the planning for the use of the labor and facilities is done by these committees instead of the War Production Board and the War Manpower Commission acting independently. These committees are the only formal means in existence at present of obtaining coordination between the agenies on this question. The Production Division, Army Service Forces, provides the Army representatives on these committees with information respecting the effect of program changes on specific plants within the area covered by the committee.

REEMPLOYMENT OF LABOR, FACILITIES, AND EQUIPMENT

15. The information furnished to War Production Board and War Manpower Commission in accordance with the foregoing paragraphs is for distribution to their regional offices to enable planning for the utilization of the facilities and workers to be released.

16. Reemployment of labor released as a result of cut-backs is in part dependent on the reuse of facilities and production equipment coincidentally made available. In order to provide for the use of idle facilities in war production, the technical services submit to the Production Division a report covering all cut-backs which will result in the release of floor space which exceeds 50,000 square feet, production capacity exceeding $1,000,000 per month, or labor exceeding 200 persons. This report covers both private and Government-owned facilities and indicates floor area to be made available, a general description of the building and equipment, and the amount of labor released. Pertinent data derived from these reports are circulated to interested Government agencies including the Army Air Forces, War Production Board, Navy Department, Maritime Commission, Office of Defense Transportation, Defense Plant Corporation, and so forth. When requests are received from other agencies for the release of such idle facilities, consideration is given to the relative importance to the war effort of the use which is proposed. A general policy has been established to the effect that a facility will not be used for storage purposes when it is needed for war production by any agency.

17. When idle facilities and production equipment owned by the War Department have been duly circulated in acordance with established procedures and no use in war production has been developed, they are disposed of under the provisions of War Department Circular No. 8 or Procurement Regulation No. 7.

Mr. GROSS. Do you understand that the same general principles are being followed by the Navy Department?

Mr. AMBERG. I would not care to comment on that at all. I don't know one way or the other. I think that would be for the Navy to say, Mr. Gross.

Mr. GROSS. I would like to ask one question about these principles. On page 2 of the document it says:

In selecting contracts to accomplish the necessary readjustment and curtailment of production the following factors are considered:

and you list there seven factors, the first being the effect upon the available supply of labor.

Is that listed first because you regard that factor as being of particular importance?

Mr. AMBERG. Yes; it is. It isn't the only factor, and it may be that the use of facilities or some other of the six remaining factors here may outweight it, but it is the first one named, and the matter of the use of smaller war plants is the second one named.

Mr. GROSS. Under the first point, you say:

Cut-backs and cancelations in No. 1 and No. 2 labor areas will, depending upon the magnitude of the reduction, ease or terminate the difficulty or procuring adequate labor for other war contracts.

Mr. AMBERG. Yes.

Mr. GROSS. And it is your position that that is a dominant consideration?

Mr. AMBERG. It isn't entirely dominant if other factors outweigh it, but it is of prime importance.

Mr. GROSS. I note that the seventh factor is the relative unit costs of production to the Government of plants producing the same item. Can you explain that?

Mr. AMBERG. That is where the cost factor should be taken into consideration, whether the high-cost producer should be terminated first if you have a choice of terminating one of several. It is a factor, but it is the last factor named.

Mr. GROSS. By putting it last, you recognize, I take it, that there are other factors than the dollar factor which affect the war production considerations?

Mr. AMBERG. Yes; that is correct. As to one other matter, which is not an Air Force matter, the Ordnance Department is considering the possible use of the Johnsville plant in the heavy artillery program, which is one of the programs being set up at this time. The matter has not been entirely surveyed. It may be that the Navy will have some other interests or use for that plant. It depends partly on how soon we can get started there, and we could use the buildings and labor at the most, but I think not the equipment.

Senator MURRAY. When did you begin to give consideration to that?

Mr. AMBERG. I think during the last week or thereabouts.

If I may introduce General Myers, I would like him to take my place.

Senator FERGUSON. The services of the Army and Navy might cooperate to give notices of terminations so that such a problem could be looked into for a greater period than a week. For instance, here we have a cancelation taking effect almost immediately. But, if you get notice of it within a week, is there any way you have of getting notice immediately?

Mr. AMBERG. I said a week. It may be 10 days. Of course, until a cancelation is determined upon, you can't tell the other service about it, and General Myers will tell us just when we were notified. The endeavor is to determine upon it as far ahead as possible, and at once to notify the War Production Board and the War Manpower Commission, as well as the Navy; and, of course, sometimes that may not be carried out in practice as well as we hope. The termination may be a sudden one by reason of some change in plans.

Senator MURRAY. Has the Army laid out a carefully prepared plan which would enable them to forecast when they may reach a point

where it would become necessary to terminate contracts and be able to provide something to take their place?

Mr. AMBERG. Well, we have the Army supply program, which covers items other, I believe, than Air Force items, and which is changed regularly, I believe, every 6 months. Of course, there may be other changes in the meantime that are required. That is used as the program for the continuation of the contracts as well as their termination, and in an endeavor to change from one item to another. Under modern battle conditions, there are often sudden changes, and new items are required, or there are other items of which we find we have enough.

Senator MURRAY. That is the case where you will be changing the instrumentalities in the war and substituting something in their place. It seems to me that, where it is a mere discontinuance of production because of a surplus developing, they ought to be able to see long in advance that that condition is going to develop and to substitute something to take its place.

Mr. AMBERG. Well, if there is something else needed which the particular plant makes, we should be able to see it some distance in advance, but some changes—certain requirements from the theaters—come in very rapidly.

Senator MURRAY. Even then, don't you have things laid out that will be necessary to produce in connection with the war effort, which might be substituted?

Mr. AMBERG. Well, the other things, of course, have been planned also, and whenever a cut-back can be made up by a new contract of some kind, either for us or someone else, that is done. But in some cases, some of our plants have gone back to civilian production, such as farm machinery, for example.

STATEMENT OF MAJ. GEN. BENNETT E. MYERS, DEPUTY ASSISTANT CHIEF OF AIR STAFF, MATERIAL, MAINTENANCE AND DISTRIBUTION, WASHINGTON

Senator MURRAY. Will you give your full name and your title?

General MYERS. Maj. Gen. Bennett E. Myers, Deputy Assistant Chief of Air Staff, Material, Maintenance, and Distribution, Washington, D. C.

In answer to the first question, whether the War Department was notified by the Navy Department of the impending cancelation of Brewster—and if so, when—we were officially notified at the last Aircraft Production Board meeting, on Tuesday, May 23. There had been a warning on it a few days or a week prior to that, that there was some consideration being given to the cut-back in this instance by virtue of balancing the over-all naval-aircraft program.

Senator MURRAY. I understand that the Brewster Co. was notified on the 16th; you didn't receive the notification until the 23d.

General MYERS. The official notification, that is correct; but, as I stated, in the prior week, which was also the 16th, the Bureau of Aeronautics' representative at the Aircraft Production Board advised us that it was pending at that time.

The next question stated here is whether the War Department is familiar with the facilities and manpower available at Brewster and is interested in their use.

The answer to that is that we are familiar with the Brewster facilities. We are cognizant of their existence and of their having produced for the Bureau of Aeronautics.

Senator MURRAY. Are you able to state whether or not that plant is suitable or satisfactory for some production program of the War Department?

General MYERS. The plant is suitable for aircraft production. As far as the brick and mortar is concerned, it probably would be suitable for other production, provided the proper and adequate tools were installed and made available for whatever production may be put in there.

Senator MURRAY. What, if any, program of production has the War Department which might be carried on in this plant?

General MYERS. The Army Air Forces have no program for the utilization of this facility.

Senator MURRAY. Had you been asked by the Navy Department whether or not you had any program before they considered the cancelation of this contract?

General MYERS. I might explain that we have a very fine operating coordinate agency in what we call the Joint Aircraft Committee. That Joint Aircraft Committee is made up of representation from the Army Air Forces, the Navy Air Forces, the British, and the War Production Board, and through that committee we endeavor to plan and schedule the aircraft program as a whole. The program is submitted by that committee to the Aircraft Production Board, where it is approved.

Now, through the workings of this Joint Aircraft Committee we do keep informed of each other's plans for the whole aircraft program.

This happens to be the first instance where a utilization of a facility has developed to a point where it is not needed any more.

Senator MURRAY. It is not needed in the Army or in the Navy?

General MYERS. In the aircraft program for the manufacture and production of complete airplanes, such as they are doing now. I might add that the Army Air Forces have attempted to find prime contractors who could advantageously use the Brewster facilities for subcontracting work.

Senator MURRAY. You have in your program of production articles that could be produced at this plant?

General MYERS. We have articles that could be produced, but we already have all the facilities we need for our program.

It may be of interest to note here that we are now over our peak production, as the accomplishment of our program has been laid out.

Senator MURRAY. So that, with the existing facilities you have, you are easily able to take care of any future program you have?

General MYERS. That is quite correct, sir. The future programs will be in changing to new requirements. There are bound to be instances to come where we won't need to replace parts on an older type of plane, for instance.

The next question is, if the War Department is interested in their use, what steps have been taken to employ such facilities and manpower?

I have just stated that we are not interested in its use as the producer of airplanes. Our only interest would be if they can be of assistance in subcontracting through the prime contractors which we now have.

We, of course, are interested in the labor phase of it. We have plants in the New York area, such as the Wright Aeronautical plant, and with more particular reference to the Woodring plant, which is manufacturing a very important engine for us, who are very much in need of skilled mechanics. Through the War Manpower Commission we have the facility down there setting up a recruiting agency. That is our primary interest in the facility at the present time.

Senator FERGUSON. When did you start to recruit from the labor at Brewster?

General MYERS. Of recent moment, you mean? About 3 days ago.

Senator FERGUSON. When did the Air Forces meet or arrive at the peak of its production?

General MYERS. We met our peak production in March, by numbers of airplanes.

Senator FERGUSON. Are there any facilities being erected at the present time?

General MYERS. There are no new facilities being erected. There are some in process of erection. For example, we might be putting in, or finishing up a hangar at the Marietta plant of the Bell Aircraft Corporation.

Senator FERGUSON. When did you complete your building program, so far as aviation is concerned?

General MYERS. As I say, it isn't actually completed. There are continuing additions of machine tools and such things as the completion of hangars and runways that are now in process.

Senator FERGUSON. Is that also true of factory space?

General MYERS. I don't know of any case where there is any factory space that actually hasn't been completed.

Of course, that is a rather dangerous statement, because when you say factory space, there may be a hangar, an assembly hangar, or a service hangar that might be necessary, and some people might construe that as factory space. But factory space, as commonly considered—I know of no case of that.

Senator FERGUSON. Such as Brewster?

General MYERS. No, we aren't building like that at all.

Senator FERGUSON. When did you quit building space?

General MYERS. Well, I think the last plant that was built as was Brewster was probably all completed some time last year, in the middle of last year, I would say.

Senator MURRAY. Well, in view of the fact that you reached a peak of production some time ago, you will soon reach a situation where you have a surplus of facilities.

General MYERS. That no doubt will occur eventually.

Senator MURRAY. And then you will be considering the possibility of cut-backs and terminations in your production.

General MYERS. I have no doubt about it at all.

Senator MURRAY. What carefully laid out plans have you developed to meet that situation?

General MYERS. Well, of course we have a continuing process of adjustment in our program, carrying out the policy of the forces and augmenting by our own so-called aircraft requirements board, which is made up by the Chief of our Aircraft and all the assistant chiefs of staff, who laid out this long-range plan. That is now laid out through the medium of the Joint Aircraft Committee for the period of 1944 and the first 6 months of 1945.

Senator MURRAY. Do you feel that, as a result of the plans that you are working out, you will be able to avoid such an embarrassing situation as the one we are discussing here this morning?

General MYERS. That is our aim, sir. We are attempting to do that very thing, not only through the instrumentality of the Joint Aircraft Committee and Aircraft Production Board, but through the assistance of this new agency that Mr. Wilson has set up, a staff agency of the Production Board.

Senator MURRAY. When you find that you have no new production program to take the place of a program you are terminating, do you notify the War Production Board so that they may be able to make those facilities available for civilian production?

General MYERS. I don't notify them to make them available for civilian production. We notify them, both the War Production Board and the War Manpower Commission, that they are either going to be cut back or we are going to stop production.

Senator MURRAY. So it then becomes possible for them to lay out a program of civilian production which would prevent this sort of thing?

General MYERS. That would be possible.

I might add that this new staff committee of the War Production Board is just getting started. They just had their first meeting a couple of weeks ago.

Senator MURRAY. But you realize what a serious situation is confronting the country, and you are making a very serious effort to meet those conditions?

General MYERS. I am sure that every person in the Air Forces is thoroughly inoculated with the seriousness and import of laying out an adequate plan to prevent abrupt cut-backs and adjustments.

Senator MURRAY. Thank you.

Now, gentlemen, it is nearly 20 minutes after 12.

We have two more witnesses to be heard from. The Navy is to testify and also Mr. Charles Wilson, from the War Production Board, so I think we had better take a recess until 2 o'clock.

(Whereupon at 12:20 p. m., a recess was taken until 2 p. m., of the same day.)

(The committee reconvened at 2:15 p. m., pursuant to the recess.)

Senator MURRAY. The meeting will come to order.

Admiral Ramsey will be the first witness this afternoon. Admiral, you may give your full name to the reporter and the official position you occupy.

STATEMENT OF ADMIRAL DeWITT C. RAMSEY, CHIEF, BUREAU OF AERONAUTICS, NAVY DEPARTMENT

Admiral RAMSEY. Rear Admiral DeWitt C. Damsey, Chief of the Bureau of Aeronautics, Navy Department.

Senator MURRAY. Admiral, have you any statement that you wish to make preliminary to any questions we may wish to ask you in regard to this situation at the Brewster plant?

Admiral RAMSEY. Yes, sir. I would like to read a letter which was addressed to Mr. Patrick H. Drewry, of the House Naval Affairs

Committee, dated May 22. The reason for that communication arose from Mr. Drewry's previous association with the Brewster problem. This letter was prepared and delivered to him on May 22 and it was signed by Mr. Gates, Assistant Secretary of the Navy for Air.

May I proceed?

Senator MURRAY. You may proceed.

Admiral RAMSEY (reading):

MAY 22, 1944.

Hon. PATRICK H. DREWRY,
House of Representatives, Washington, D. C.

DEAR MR. DREWRY: Because of the continued interest of the subcommittee of the Naval Affairs Committee investigating the Brewster Aeronautical Corporation in matters affecting that corporation, I recently informed your committee of the proposed reduction by the Navy in the over-all production of fighter planes and stated that this reduction would affect Brewster most seriously.

At the time I told you that the Navy Department not only would not give any further contracts to Brewster but that the existing conract for Corsair fighter planes would be cut off at some time in the near future, the exact date being then under study by the Navy. I also stated that the schedules for other producers of Corsairs and of certain other fighter types would be cut back or slowed down. The savings which are estimated to result from this reduction in the fighter program will amount to approximately $180,000,000.

On Tuesday, May 16, the day before the annual meeting of the Brewster stockholders, I advised Mr. Henry Kaiser, Sr., that the decision had been reached to cut back the Brewster Corsair contract, that the date of the cut-back had not been fixed, but that it would be in July 1944. On the next 2 days representatives of the Bureau of Aeronautics discussed with Brewster officials in New York the best way to make the cut. On Friday, representatives of Brewster met with me and officials of the Bureau in Washington to discuss the termination. The decision was restated and Brewster was asked to maintain production until July 1, 1944, provided that this would be done at a satisfactory rate, in order that airplanes on the final assembly line could be completed. Brewster agreed to advise me on Monday whether this could be done. This morning I was advised that while Brewster could not make any promise as to the number of planes which can be delivered, it is eager to make every effort to meet these conditions.

The Navy Department has now formally advised Brewster that its contract has been terminated, to be finally effective on July 1, 1944. The work to be done in the interim will consist of the production of not to exceed 150 airplanes at a rate of approximately 24 airplanes a week. Goodyear Aircraft Corporation and Chance-Vought Aircraft Division of United Aircraft Corporation, the other two producers of Corsairs, have also been advised that their schedules will be cut back. As the revised schedules are confidential, I am not submitting them herewith. If you desire, I will furnish them to you separately.

In order that you may be fully advised in this matter I am setting forth the reasons underlying this decision.

Because, first, of the recent change in military requirements to which I referred in our recent talk, and because, second, the latest performance figures for Navy fighter-type airplanes show an attrition rate substantially less than the original estimate and even substantially below that set at the beginning of this year, the Navy has determined that it will not require continued production of Corsairs at the rates called for by the present contracts. In making this statement, I would like to point out the sharp contrast between the present situation and that of even a few months ago, when every effort was being made to accelerate the production of fighters. All the companies involved were urged to and did materially increase their production in response to the request of the Navy, which was dictated by military requirements as they then existed or could be foreseen. The critical period was the first 6 months of this year, and it is particularly due to the over-all success of our operations during this period that the Navy has been able to revise the attrition figure.

As circumstances have developed, if the rate of production were not substantially decreased, the Navy would have an excess of fighters over justifiable reserves. In other words, to state the case in terms of merchandising, it has been necessary in the past for us to build up our stocks on hand, and also to

care for replacements and replenishments. When the stocks on hand have been built up to a satisfactory point we do not thereafter need the same productive capacity to take care of replenishments and replacements only, as we did when we were doing this and building up our stocks as well. This called for an immediate reduction of the production schedules. Careful consideration was given as to how this should be carried out.

The reduction in the Corsair program is very substantial. As I have stated, I shall be glad to give you the figures separately. The extent of the reduction made it apparent that there would not be a sufficient number of airplanes produced to permit the efficient utilization of the plants of all three companies. A proportionate reduction for each company would have been so large that it would simply have meant that in all three companies production would have been disrupted, unit costs would rise for all three companies, and efficiency would fall in all three companies. The solution of the problem which would have the least damaging effect on war production generally was therefore to concentrate the cut with one producer.

The Corsair was designed and developed by Chance Vought Aircraft Division of United Aircraft Corporation, which then made the necessary engineering information available to Goodyear Aircraft Corporation and Brewster Aeronautical Corporation to enable them to go into production. Chance Vought has acted as engineering adviser to the other concerns and has assumed responsibility for the week-to-week changes put into the airplanes by all three producers as dictated by combat needs. Chance Vought is developing several advanced and special performance versions of the Corsair, as well as conducting a number of experimental and development projects for the Navy Department.

Goodyear Aircraft Corporation for its part is developing a new fighter which will succeed the Corsair in its plant when production can be begun. Goodyear is also a subcontractor for parts of other essential Army and Navy airplanes.

It is apparent that during the development of the more advanced models at Chance Vought and Goodyear a productive organization must be kept intact in each plant so that an orderly transition to the new models can be made without loss of efficiency. A substantial cut in the Corsair production at either company would disrupt such productive organization and thus have an adverse effect on these projects. Too drastic a contraction of the work load at Goodyear would also damage the war work on which Goodyear is a subcontractor.

By contrast to the situation at Chance Vought and Goodyear, Brewster has no other work of importance to the war effort which would be affected by a termination of its contract for Corsair airplanes. It has the smallest output of any of the three. It is the highest cost producer of the three, and suffers from the inherent weakness of operating in two plants situated at some distance from each other, at Long Island City and Johnsville, Pa. In addition, Brewster represented to the Navy Department that it would have considerable difficulty in completing its contract for Corsairs if it did not receive a further contract for airplanes, which was impossible in view of the reduction in over-all fighter requirements. It was, therefore, decided that the cut should be made by a termination at Brewster as of July 1, and smaller reductions in the production rates at Goodyear and Chance Vought. In making this decision, due weight was given to the fact that the labor situation is designated as less critical in the areas in which Brewster operates, but this was outweighed by the other considerations mentioned.

I am confident that the decision is amply justified by the fact that Chance Vought and Goodyear have been, and will be, able to make a more substantial contribution to the war effort than Brewster. In this connection, however, I would like to emphasize that the cancelation of the Brewster contract was not brought about by dissatisfaction on the part of the Navy with either the management of Mr. Henry Kaiser or the new management which has just taken office.

The Johnsville plant is leased to Brewster by Defense Plant Corporation. I do not know whether Brewster will be able to utilize this plant in war work, but if it cannot do so, I am sure the Bureau of Aeronautics can utilize it.

I shall continue to keep you informed of developments in this matter. The Navy Department will appreciate such suggestions or recommendations as your Committee may wish to give. I am sending a copy of this letter to Mr. Vinson and to Senator Truman.

Sincerely yours,

ARTEMUS L. GATES,
Assistant Secretary of the Navy for Air.

If I may, sir, I would like to supplement the reading of that letter with the reply sent by Mr. Drewry, dated May 23, as follows:

MAY 23, 1944.

HON. ARTEMUS L. GATES,
The Assistant Secretary of the Navy for Air,
Navy Department, Washington, D. C.

DEAR MR. GATES: On behalf of the subcommittee of the House Naval Affairs Committee investigating the Brewster Aeronautical Corporation, I am acknowledging the receipt of your letter of May 22, 1944, and replying thereto.

The committee commends your letter and the presentation of the reasons why the Navy Department decided to cut back the Brewster Corsair contract and cancel same as of July 1, 1944. The reasons which you give are, in the opinion of the committee, sound and sensible, and the committee thinks that the reasons influencing your decision are entirely proper and correct, and it approves in every particular of your action.

The final report of the subcommittee to the full committee will consist of your letter and this reply to same.

Permit me to thank you for your courtesy and attention and patience with the committee in the consideration of this important question.

Sincerely yours,

P. H. DREWRY.

Senator MURRAY. Admiral, you say it was impossible for you to see the need to make this quick cut-back or termination of the contract on the Corsairs?

Admiral RAMSEY. It would not have been reasonably accurate information, Senator, before it was actually foreseen because our field of aviation operations covers a wide area. We wish to get fairly accurate information from distant theaters of action as to the quality of our airplanes as compared with those of the enemy; in other words, to appraise the attrition losses accurately or as reasonably accurately as we can, and that factor alone was one of the predominating considerations which led to the cut-back in production.

Senator MURRAY. Were these Corsair planes used in both theaters of the war, in the Atlantic as well as the Pacific?

Admiral RAMSEY. They have not been actively used in the Atlantic theater except perhaps those that have gone to lend-lease, but not by our own forces.

Senator MURRAY. What is the picture in the Navy with reference to the requirements for airplanes in general?

Admiral RAMSEY. The general picture is a healthy one, sir. We feel that at the present time we have reached a point of productive capacity for aircraft and air frames and airplane engines in this country whereby the capacity exceeds the Navy's material requirements. In other words, we can now concentrate a little more on the quality of our products and delve a little more deeply into the field of experimentation and research than we could at a time when the problem was one of numbers primarily.

Senator MURRAY. That situation relates to planes in general?

Admiral RAMSEY. That relates to the planes that constitute and make up the Navy aircraft program. I cannot speak for the Army in that respect, sir.

Senator MURRAY. Then you are not planning any new development of fighter planes?

Admiral RAMSEY. Oh, yes, sir; we are. We are planning in the field of experimentation. We have new conceptions, new designs always coming along because, after all, the useful life of a modern airplane is short in this day of competition when you are under heavy enemy pressure.

Senator MURRAY. In the development of this program you will need facilities for the production of these new planes?

Admiral RAMSEY. In the majority of cases they will come along behind other models that are being produced elsewhere, in other plants.

Senator MURRAY. This is the only plant that you are completely discontinuing?

Admiral RAMSEY. That is true. This is the only plant in which we have completely wiped out a contract for this particular type of plane.

Senator MURRAY. You have not taken this action because of any dissatisfaction?

Admiral RAMSEY. Not at all, sir.

Senator MURRAY. There was no dissatisfaction with Kaiser's management or with the new management of the Brewster plant?

Admiral RAMSEY. Not at all, sir. It is primarily and purely a military evaluation; it is the result of a military evaluation.

Senator MURRAY. Of course, you recognize the effect of the cancelation on the workers at the plant?

Admiral RAMSEY. Yes, sir; we recognize that.

Senator MURRAY. And the need of some well-laid-out plan to take care of situations of that kind, where a contract is terminated and where thousands of employees are working?

Admiral RAMSEY. Yes, sir; and I think that the function of devising such a plan does not belong in the Naval Bureau of Aeronautics.

Senator MURRAY. That is no problem of yours?

Admiral RAMSEY. No, sir; it is a matter of my concern and interest but not my cognizance.

Senator MURRAY. What did you do before you announced the cancelation to have that problem taken care of by those whose problem it was?

Admiral RAMSEY. It may be helpful if I read off briefly the chronological order of events pertaining to the major issues here.

On Saturday, the 13th of May, the total number of airplanes required in the Navy fighter program was resolved. On Monday, the 15th, at the Aircraft Production Board meeting the representative of our Bureau advised that a cut-back in Brewster was very likely, and, in fact, in the whole program——

Senator MURRAY. What was that date?

Admiral RAMSEY. The 15th of May. In the afternoon of that day the decision was reached that Brewster would be cut off and no date was specifically set, but that would be a subject of further discussion.

Senator MURRAY. In determining that the Brewster plant should be the one to be cut off, what conferences were held by the proper authorities in the Navy to determine that question?

Admiral RAMSEY. I can say, sir, that conferences of various kinds were held throughout the Navy Department. Any personnel interested in the subject were given an opportunity to express an opinion and any thought in the matter; and, so far as level of interest was concerned, it went as high as the Secretary of the Navy. We had numerous conferences on it.

Senator MURRAY. Of course, I suppose you recognize the fact that

any inefficiency that may have existed in the plant was not necessarily due to any failure on the part of the workers to perform their task properly, but was due to poor management from the beginning?

Admiral RAMSEY. Originally, yes, sir; but there were labor difficulties, of course.

Senator MURRAY. There were labor difficulties?

Admiral RAMSEY. Yes, sir.

Senator MURRAY. There were no labor difficulties at the time of this action that you have taken?

Admiral RAMSEY. No.

Senator MURRAY. At that time the relations between the workers and the management of the plant were entirely satisfactory?

Admiral RAMSEY. To the best of my knowledge they were very satisfactory.

Senator MURRAY. And the efficiency of the plant was increasing?

Admiral RAMSEY. The efficiency of the plant was increasing; yes, sir. It had a long way to go because it was a relative improvement.

Senator MURRAY. As in the case of every plant, increased efficiency went forward with the task of production, and this plant, after being put under proper and efficient management, was advancing in its efficiency just as other plants had prior thereto?

Admiral RAMSEY. It was advancing in efficiency in its particular field, but I think it is only fair to say they had the simplest problem in the aircraft industry. They had only one kind of airplane to build, whereas other producers were saddled with a great many other equally important projects.

Senator MURRAY. What were the figures on man-hours per plane at the Brewster plant as compared with the other companies making the same plane?

Admiral RAMSEY. It was my understanding that you desire data as to the comparative figures on manpower, using 100 as a basis in order not to compromise the confidential figures. The comparative figures that you desire, sir, I can give as follows:

With Brewster on an index of 100 for man-hours, the comparative figure for Goodyear is 67 and the comparative figure for Vought is 47.

Senator MURRAY. And what was the figure for Brewster?

Admiral RAMSEY. That is the 100. Those are the latest figures on man-hours.

Mr. GROSS. For current production?

Admiral RAMSEY. Yes; theses figures in general apply to April and March.

Mr. GROSS. In other words, with Brewster using 100 hours per man in April, Goodyear using 67, and Chance Vought using 47?

Admiral RAMSEY. That is right.

Mr. GROSS. Brewster was on its six hundredth plane; is that right?

Admiral RAMSEY. Just about approaching it.

Mr. GROSS. And at what plane was Goodyear?

Admiral RAMSEY. They had built considerably more, about 1,200.

Mr. GROSS. Can you supply us the corresponding index figure for Goodyear at its six hundredth plane?

Admiral RAMSEY. About 82.

Mr. GROSS. What was the figure for Chance-Vought at its six hundredth plane?

Admiral RAMSEY. One hundred.

Mr. GROSS. In other words, Brewster and Chance-Vought were using the same amount of man-hours at their six hundredth plane?

Admiral RAMSEY. Yes; that is true. But I would like to supplement that statement by saying this and elaborating on what I said before, that they, the Chance-Vought and Goodyear people have a great many other projects to which their talents are being applied in other fields of production in the air-frame business, whereas Brewster had a single job to perform.

Mr. GROSS. If Brewster had continued, would you anticipate any reduction below the 100?

Admiral RAMSEY. Yes; I would.

Mr. GROSS. About how much?

Admiral RAMSEY. Well, that is speculation. That would be a mere guess, but I would say 90; 85 perhaps.

Senator MURRAY. That would be a mere guess on your part?

Admiral RAMSEY. That is true.

Senator MURRAY. Apparently the production there was handicapped as a result of defective management to start with.

Admiral RAMSEY. Well, I believe there were management difficulties; in fact, I know there were. There were also labor difficulties, sir.

Senator MURRAY. Of course, you always have labor difficulties where you have poor management; isn't that true?

Admiral RAMSEY. I should say yes, sir; I subscribe to that.

Senator MURRAY. If you had efficient management, intelligent management, and patriotic effort on their part to produce, you would have a better spirit of cooperation on the part of the workers.

Admiral RAMSEY. I think that is generally true, sir, except that the workers' attitude must have some bearing; I do not think it is entirely influenced by the management.

Senator MURRAY. Do you wish to infer that the workers in this plant were not patriotically endeavoring to fulfill their jobs?

Admiral RAMSEY. No, sir; far from it. As I say, I have nothing but praise for the conduct of this latter part of the contract. We have no quarrel with anybody.

Senator MURRAY. As soon as they got an able director there, and able management, they immediately began to show better results, better production.

Admiral RAMSEY. I would say from the time that Mr. Henry Kaiser took over the stewardship it was apparently very satisfactory, comparatively so.

Senator MURRAY. Prior to the issuance of this order discontinuing the contract, the workers had no notice whatsoever as to what was going to happen there?

Admiral RAMSEY. We were requested by the management, the new management of Brewster, not to make any announcements or release any publicity at all on this question over the week end. We met them on Friday and we were specifically asked not to make any announcements or release any information about this situation until they had had a chance to appraise the situation in their own light. It was my understanding also that they were anxious to solicit new business during that period.

Senator MURRAY. What was the reason announced for making this request?

Admiral RAMSEY. Well, as I remember, Mr. Lockwood's statement was he thought it would not be timely to get the word out among the ranks of the workers.

Senator MURRAY. He felt, I suppose, it would have a demoralizing effect upon the workers.

Admiral RAMSEY. That is my recollection of what transpired.

Senator MURRAY. I suppose you recognize that in carrying out these programs of cut-backs and cancelations the situation of the workers must be given consideration?

Admiral RAMSEY. Yes, sir.

Senator MURRAY. And insofar as possible these cut-backs should be determined far in advance, at least as far as it is humanly possible, so that adjustments may be made and the plants be given an opportunity to take on other work from other agencies or secure new contracts from the existing agencies?

Admiral RAMSEY. Mr. Chairman, I fully agree with that. But, I must say, sir, that war is a very uncertain thing and, after all, our problems of appraising the ability of our equipment to stand up under the shock of battle against the Japanese in the Pacific, have very large question marks attached to them at all times. Decisions are made in the Navy Department as soon as we can get enough realistic and factual data to support a sound change in the program. We try very hard to do that.

Senator MURRAY. There is the obligation, of course, to take into consideration the human problems connected with the situation and to avoid, as far as possible, any demoralizing effect upon the home front.

Admiral RAMSEY. That is true.

Senator MURRAY. That must be taken into consideration as well.

There seemed to be a tendency at the outset of the war, when we began the production program, to give no consideration whatever to the domestic situation. You had no program, for instance, to utilize the thousands of small plants that were going to be prevented from engaging in civilian production, and the attitude of some of the procurement agencies was that it was no problem of theirs. Of course, that was a very vital problem to the country, and, if we are fighting a total war, we have to take into consideration all these factors.

It seems to me in the termination of these contracts there is nothing more important than preventing a demoralization of the workers of the Nation by reason of these sudden terminations. If this is a problem we are going to be confronted with, our country is going to be thrown into a very serious state of chaos and confusion.

It seems to me you should have announced publicly some time in advance that this situation was liable to occur, and a program should have been laid out and announced to the workers of the country so that they might know with what they would be confronted.

Admiral RAMSEY. In this particular Brewster case, sir?

Senator MURRAY. Yes; and in all cases like it. It seems to me that there should have been some kind of program known to the country, and not a termination that comes out of the dark which is a complete surprise to these men working in the plant who have been patriotically endeavoring to perform their tasks and play a part in war production.

Admiral RAMSEY. Well, sir, it is my personal feeling that when, through a happy turn of events, it is indicated that a previous estimate

of attrition losses is altogether too high and we find planes available to us that would not otherwise have been available, then in the interest of the simplification of our logistic problems and to keep our operations fluid, and by that I mean our logistic operations, we certainly have to consider the problem of balance in our program; and right today, sir, I can assure you that in many categories of war equipment we are overproduced and we are paying a heavy price for it. We have to cut back. We have to delete obsolete equipment from our storehouses. We have to try to find more parking area for our planes. It has gotten to a point where I think that the continued production just for production's sake of equipment is an indefensible proposition.

I assure you that those who deal with strategy—and I do not by position, I merely implement plans—but those who deal with strategy, I am sure, are making almost a moment-to-moment appraisal of every development in an effort to achieve balance in our material programs. They will certainly give all the warning that they possibly can to those who are in a position to assist the workers to readjust themselves.

Senator MURRAY. Well, that tells a very flattering story for the production record of the American workers, doesn't it?

Admiral RAMSEY. It does, indeed, and we are very proud of it.

Senator MURRAY. Only a short time ago we were hearing many stories to the effect that the American worker was falling down and was unpatriotic, and that he was liable to lose the war as a result of his failure to make the proper contribution to the war effort.

Admiral RAMSEY. Mr. Chairman, of course, there have been unhealthy spots here and there in the over-all program, but in the main I think it has been a magnificent job all the way through, one of which the country can well be proud.

Senator MURRAY. And that being true, there was no basis or justification whatever for any slander upon the American worker for his part in the war production program?

Admiral RAMSEY. That is the furthest thing from our minds.

Senator MURRAY. Do you believe that the proposal to have 1,000 planes built rather than 750 is unreasonable?

Admiral RAMSEY. I do, sir.

Senator MURRAY. Two hundred and fifty additional planes, you think, would be an unreasonable number of planes to construct, though it would be a very great help in continuing this plant until something could be found for it to do?

Admiral RAMSEY. Well, sir, I have reason to believe that the Brewster management is trying, or was trying, to get additional business; and it was also my understanding that other positions in the New York area certainly could be made available to the workers there in the Long Island plant, and I was so informed and that the War Manpower Commission had this situation pretty well in hand.

Senator MURRAY. But they made no public pronouncement?

Admiral RAMSEY. I have not seen any, but I know Mrs. Rosenberg is fully cognizant of the situation.

Senator MURRAY. The workers of the plant have no knowledge of any program that is being, or was, worked out to utilize their services, so far as I know.

Admiral RAMSEY. I do not know definitely, I am not a good witness on that, sir. I do not know, but I think Mrs. Rosenberg, as I understand it, has taken a great interest in it.

Senator MURRAY. What was the basis for the requirement of producing at the rate of 24 a week instead of merely giving them the right to produce 150 additional planes?

Admiral RAMSEY. The Brewster Co. had virtually set their own schedules of production. We did everything we could to make their task reasonably easy for them, and they were producing at slightly above that rate when we set the 24 figure.

We feel, perhaps due to this termination, there might be some slight interference with their production which would not permit them to maintain the higher level which they had at the time the termination was made. Therefore, it was merely a compromise designed to assist them.

Senator MURRAY. The other two plants engaged in the production of these Corsair planes had other contracts that they were carrying along at the same time?

Admiral RAMSEY. Yes, sir; and very important contracts.

Senator MURRAY. Very important contracts?

Admiral RAMSEY. Yes, sir.

Senator MURRAY. There was no necessity for any cut-backs in that production?

Admiral RAMSEY. Oh, yes, sir; there is a necessity and a very vital and urgent necessity for cutting back production of both Goodyear and Vought.

Senator MURRAY. You mean as to their work outside of the Corsairs?

Admiral RAMSEY. No; not outside the Corsairs but only applying to Corsairs.

Senator MURRAY. I am asking you if you had other work in the other two contractor plants which was important and which they were engaged in carrying out under contracts which was important work.

Admiral RAMSEY. Yes, sir.

Senator MURRAY. They were also constructing the Corsair planes?

Admiral RAMSEY. That is true.

Senator MURRAY. Wouldn't it have been possible to curtail the production in those plants to a slight degree insofar as the Corsairs were concerned and allow this plant to continue with production?

Admiral RAMSEY. No, sir; it would not.

Senator MURRAY. Why not?

Admiral RAMSEY. Because the nature of those projects that are coming along behind the current production of the Corsairs require the personnel to remain without radical interference with their oganization, require the personnel to undertake the work on these new and improved designs.

Senator MURRAY. Well, if you were curtailing the production of the Corsairs in those plants, that would not interfere with their work on the other planes, would it?

Admiral RAMSEY. No, sir; but I am afraid when I get into this field of our experimental work that I had better go off the record. It is very difficult for me to explain what they are trying to do.

Senator MURRAY. I do not care to enter into the details of the situation. The fact is you have this other construction work in both plants?

Admiral RAMSEY. That is right.

Senator MURRAY. The personnel of those plants are busily engaged in that work. Couldn't they, then, have slightly curtailed their production of Corsairs and concentrate on this other work?

Admiral RAMSEY. We are doing that, we are reducing the number of scheduled planes for both Goodyear and Vought.

Senator MURRAY. You have already done that?

Admiral RAMSEY. Yes, sir; we have already notified them their schedules have been cut.

Senator MURRAY. To what extent are they cut?

Admiral RAMSEY. Well, I would rather not give you the exact figure, sir, but I think I can give you some general idea. Of the total curtailment in the Corsair program, only slightly over one-half of it is borne by Brewster. The rest is shared by Vought and Goodyear.

Senator MURRAY. Ordinarily when you undertake to make a cut-back or termination of a contract where there are a number of concerns engaged in that production, how do you determine which plant should have the cut-back?

Admiral RAMSEY. Well, this is a unique situation, sir. We have no other producer building the same type of airplane; that is, as in the case of these three producers.

Senator MURRAY. If you decide tomorrow, for instance, that you are going to make a cut-back or termination of a contract where there are half a dozen different plants engaged in that particular work, how do you determine which plant is to have the cut-back or termination?

Admiral RAMSEY. Well, every single factor would be taken into consideration: the manpower problem, whether it was a tight or loose market; the productive costs; the overhead; the management; all those factors would be taken into careful consideration.

I assure you, sir, we have no comparable problem as the one pertaining to the Corsairs. We have no comparable problem in our aircraft program.

Senator MURRAY. The first date on which you determined there would have to be a cut-back here was on the 15th of May, was it?

Admiral RAMSEY. About the 15th of May; yes, the 15th of May.

Senator MURRAY. When did you notify the War Manpower Commission or the War Production Board?

Admiral RAMSEY. The War Production Board was notified of the imminence of this cut-back on that same day.

Senator MURRAY. How did you notify them—by letter?

Admiral RAMSEY. We notified them through our representative on the Aircraft Production Board, sir. One of the officers of the Bureau of Aeronautics is a regular member of that Board. In addition, I think Mr. Wilson, who is here, will testify that Mr. Gates called him personally that same day and made the notification, but did not state at that time just when the termination would take place.

Senator MURRAY. When you determine to make a cut-back or termination, do you consult the War Production Board or the War Manpower Commission with reference to where the cut-back or termination is to be made?

Admiral RAMSEY. Not necessarily, sir, but we would certainly advise them, because it is of great interest to them, and we would give them all the advance notice we could. If a move on our part, or contemplated move, were to run counter to their wishes or policies, then we would probably change our tune.

Senator MURRAY. But you have no policy whereby they would sit in with you when you come to determine a cut-back or termination?

Admiral RAMSEY. We have very close liaison with them, sir.

Senator MURRAY. Answer the question. Do they sit in with you and determine where the cut-back or termination is to occur?

Admiral RAMSEY. No; they do not sit in with us.

Senator MURRAY. What is your policy with reference to giving notice of a contemplated cut-back; on whom do you serve that notice?

Admiral RAMSEY. In a case like that we would serve notice to the War Production Board, War Manpower Commission, United States Army Air Forces, with whom we deal practically every day in matters pertaining to such situations.

Senator MURRAY. When you are going to make a termination of a contract, you must know at some time prior to the date and the hour that you issue the order that a condition is developing whereby it will become necessary to make a termination, isn't that true?

Admiral RAMSEY. That is true.

Senator MURRAY. Well, why didn't you then, when you were confronted with that possibility, serve notice on those who were to be affected by the cut-back or termination that the situation was likely to develop?

Admiral RAMSEY. When you say on those who might be affected, may I ask who you mean, sir?

Senator MURRAY. On everyone concerned, in the country. You would want to let us know that there was going to be a situation where thousands of men would be thrown out of employment unless they had an opportunity to seek other employment or get other contracts.

Admiral RAMSEY. Well, that is a question of policy, sir, on which, perhaps, I am not qualified to render an opinion or really answer your question. The question of publicity releases and press releases, that sort of thing, is handled by another branch of the Navy Department.

Senator MURRAY. You can see, I am sure, that when the public is suddenly apprised of the fact that a cut-back is going to take place within 24 hours, it is going to have a serious effect upon a large number of workers in the country; it will have a serious effect upon the country itself; and the public should know something about it before it occurs.

Admiral RAMSEY. As I said, sir, a press release was gotten out on the Monday following our Friday conference, and a complete release, giving details of the cut-back, was released on the 16th of May.

Senator MURRAY. Was any effort made to find out whether or not any of the other procurement agencies might be in a position to furnish work to this plant?

Admiral RAMSEY. I knew that through our association with the Army on the Joint Aircraft Committee and also through a statement of Mr. Lockwood himself, who said that his representatives were in contact with the Army and others, seeking additional business, I felt that a part of it was being taken care of by the management themselves, and I also knew that the Army was giving consideration to putting in some shell ordnance production there. It was a tentative sort of study they were making.

Senator MURRAY. Of course, they had no advance notice so as to enable them to work out a program or contract for this plant?

Admiral RAMSEY. No, sir, they had not had very much notice, that is true.

Senator MURRAY. That is all, Admiral.

Mr. Wilson, you may state your name and official position.

STATEMENT OF CHARLES E. WILSON, EXECUTIVE VICE CHAIRMAN, WAR PRODUCTION BOARD

Mr. WILSON. Charles E. Wilson, Executive Vice Chairman, War Production Board.

Senator MURRAY. Mr. Wilson, you are, of course, familiar with this problem of cutbacks and termination of contracts.

I wish you would explain the function of your new cutback committee of the War Production Board.

Mr. WILSON. Well, I have a copy of the order which outlines the duties of the new staff of the Production Executive Committee, which is to undertake the general subject of cut-backs and reconversion.

Generally speaking, the function of this staff will be to receive information from the procurement agencies, notably the Army, Navy, and Maritime Commission, of prospective cut-backs, in an effort to reach a determination as to the best places to make cut-backs where there is a choice. In some of the cut-back cases or prospective cut-back cases there is an opportunity to make a choice of plants in geographical areas in which there would be less harm to the over-all economy. Sitting with this staff that will receive this information will be representatives of the Smaller War Plants Corporation, the Office of Civilian Requirements, the various vice chairman of the War Production Board, representing, for example, operations and material control. With first determining the activities that are to be cut back and then determining the particular plants at which the cut-backs will be made, they will be enabled to determine whether the facilities and the manpower made available can best be used.

I remind you that the Office of Civilian Requirements is represented and the operations service chairman is represented, and determination could be made right at that level as to some particular line of increased civilian requirements that could be installed in the cut-back facilities to use the manpower available. Indeed, that is the hope of the new plan which has just become operative, as you probably know.

Senator MURRAY. What is the make-up of that committee; who serves on it?

Mr. WILSON. I will be glad to give you the complete list. There is a representative of the Army Service Forces of the War Department; the Army Air Forces, War Department; the Office of Procurement and Material, Navy Department; Bureau of Aeronautics, Navy Department; Maritime Commission; War Manpower Commission; the Office of Programs, Vice Chairman of the War Production Board; Office of Operations, Vice Chairman; Office of Civilian Requirements, Vice Chairman; Office of Labor Production, Vice Chairman; Office of Manpower Requirements, Vice Chairman; the Office of the Chairman of the Smaller War Plants Corporation; the Office of the Vice Chairman of the War Production Board; the Office of Metals and Minerals, Vice Chairman; and such other agencies as the Executive Vice Chairman may from time to time designate as desirable.

Senator MURRAY. When was that committee set up, Mr. Wilson?

Mr. WILSON. The date of this is May 25, 1944.

Senator MURRAY. That was after this situation developed, was it not?

Mr. WILSON. That is right. I might say this had been in contemplation for quite some time. It is probably regrettable it was not operating when this came along. Indeed, the Army and Navy had been urging us in the War Production Board to get some such body functioning.

Senator MURRAY. Can you give us an estimate, in dollars and cents, of the extent of the cut-backs or terminations that have already taken place in the whole program of terminations?

Mr. WILSON. I could not give you that, Mr. Chairman. It is, of course, a matter of billions of dollars, but I cannot remember the exact figure.

Senator MURRAY. I have heard all sorts of figures, all the way from 5 or 6 billion to 12 billion.

Mr. WILSON. If I had to strain my memory, sir, I would say the $12,000,000,000 figure is more nearly right. That, of course, is for a variety of reasons.

Senator MURRAY. With respect to the aircraft program, you were on the coordinating committee?

Mr. WILSON. The Aircraft Production Board; yes, sir.

Senator MURRAY. Therefore you are in a position to know what is likely to happen in aircraft production?

Mr. WILSON. I have advice from the services as to what their cut-backs are likely to be; yes, sir.

Senator MURRAY. In the cut-backs and terminations that have already occurred, you had advance information, hadn't you, in most of those cases?

Mr. WILSON. You are speaking now to the point of aircraft only?

Senator MURRAY. Generally.

Mr. WILSON. Generally, we in the W. P. B. have received some advice; yes, sir. Until we had this new body operating, this staff of the P. E. C., we did not have a very good set-up for receiving advance advices of cut-backs.

Senator MURRAY. Of course, it is desirable that studies should be pursued by the procurement agencies to determine as far in advance as possible when cut-backs or terminations are going to occur.

Mr. WILSON. I think they will fully agree with you on that; I surely do, sir.

Senator MURRAY. What information did the Navy make available to you prior to the announcement of the Brewster cut-back?

Mr. WILSON. Exactly as Admiral Ramsey outlined to you. I have forgotten, but I think it was the 15th or 17th that I was advised by a representative of the Navy of this fact.

Senator MURRAY. Have you had any opportunity to study the situation at the Brewster plant so as to enable you to determine what other war-production work, if any, may be placed in that plant?

Mr. WILSON. Not a study at the plant; no, sir; but immediately following the announcement of this cut-back I met with the manager of the Brewster Co. He came to my office and told me of the pending cancelation. We discussed various possibilities for them to utilize their facilities and manpower. I arranged with them to have some

of our people, who know the possibilities better than others in our outfit, to help them in an endeavor to secure some other contracts from the Army, not the Navy, but from the Army.

I knew of some possibilities and tried to work that out for them.

Senator MURRAY. Nothing definite has yet been worked out?

Mr. WILSON. It has not to date. As a matter of fact, I am not sure that it is going to with respect to the main possibility; that is, of using he Johnsville plant for either an ordnance or shell operation.

Senator MURRAY. With your knowledge of the war-production program, is it possible that the Navy might use either one of these plants for some work other than the construction of planes?

Mr. WILSON. I would not know what to suggest as to any Navy items I know that are open. I am talking about an immediate proposition, and I do not know of anything to suggest that could be immediately put in beyond the items we have already suggested. We suggested a few items for the Long Island City plant, parts for some heavy bombers, and that is about the only opportunity, it seems to me, that arises and that we might suggest to them at the moment.

Senaor MURRAY. The war production program is by no means coming to an end is it?

Mr. WILSON. Far from it. The requirements of the services to the end of the year are approximately at the same rate of production as we have been running for the last quarter.

Senator MURRAY. And as a result of developments, it may become necessary to engage in some new production entirely; is that not so?

Mr. WILSON. I think you must assume, sir, that there will be cut-backs, there will be reductions and there will be increases, all dependent upon the progress of war and the changing requirements thereof.

Senator MURRAY. Do you think it would be an unwise policy, then, to immediately disband or close down any plant that is equipped and might be available for production that might become necessary in connection with the further prosecution of the war?

Mr. WILSON. I think we are going to be confronted with the necessity of doing that in some places; yes. Where a plant is set up for some specialized output, and if we are not adroit enough to find work that can go in there immediately and hold it open, I surmise there will be cases where it will be necessary to cut back and shut down. I hope it will be kept to a minimum number of cases but I can conceive that that time will come.

Senator MURRAY. Of course, it is always possible to convert any big manufacturing plant to meet some new production problem.

Mr. WILSON. Yes; if you give full weight to the element of time in that. You cannot convert aircraft-parts plant to a heavy-shell manufacturing plant very quickly, as you well know.

Senator MURRAY. But if you have no other plant, it would be much better to use a plant already in existence.

Mr. WILSON. By all means. In those two cases we tried to find the means of converting them.

Senator MURRAY. I think that is a very sound policy.

Mr. WILSON. I do not see how we can do otherwise.

Senator MURRAY. I do not think that the effort should be given up immediately.

Mr. WILSON. That is right.

Senator MURRAY. There should be a continued effort to find some possible way of utilizing that plant.

Mr. WILSON. We regard that as our No. 1 job, sir. No; I say that is our No. 2 job. Our No. 1 job is to get war munitions, and the second job is to see that we try to do that sort of conversion.

Senator MURRAY. Have you any advice to give or suggestion to make with reference to this problem that we have?

Mr. WILSON. You mean the specific Brewster problem?

Senator MURRAY. Yes.

Mr. WILSON. The only suggestion I have to make, sir, is that we prosecute this investigation as to the things we might put in there. It does not seem impossible to me that we find something in this case. It seems to me that should not be impossible, and it is quite possible. In the case of the Long Island plants, by reason of their nature, structure, and so on, I would assume there would be greater difficulty.

Senator MURRAY. That is not as big or as important as the other plant?

Mr. WILSON. I understood it was of greater importance, a great deal more important, because there are a great many people involved. After all, the human element deserves more consideration than plants.

Senator MURRAY. I thought the Johnsville plant was the larger one.

Mr. WILSON. I think not. I think the Long Island City plant has the larger number of people. I may be wrong on that, but I think that is so.

Senator MURRAY. You have no other comment to make on the situation?

Mr. WILSON. No, sir.

Senator MURRAY. Very well; thank you.

Mr. Stocking, of the War Manpower Commission, will you come forward and give your name and official title?

STATEMENT OF COLLIS STOCKING, CHIEF, REPORTS AND ANALYSIS SERVICE, WAR MANPOWER COMMISSION

Mr. STOCKING. My name is Collis Stocking, and I am Chief, Reports and Analysis Service, War Manpower Commission.

Senator MURRAY. You have a statement you wish to make?

Mr. STOCKING. No; I do not.

Senator MURRAY. You have no statement whatever?

Mr. STOCKING. No; I have some notes here that will touch upon some of the questions you raised, and if you wish, I will make some general observations.

Senator MURRAY. I would like to have you proceed and make any general observations you have. I am called to the telephone on an important matter, and will have to leave for a few minutes. You may proceed with your statement and I will be back as soon as I can.

Mr. STOCKING. As has been indicated by earlier witnesses, the determination to cut back production in the Brewster plant was made primarily on the basis of considerations other than manpower. We were officially notified of the cut-back on May 23.

We immediately proceeded to make arrangements to place the workers in other war production as promptly as possible. We notified aircraft companies throughout the country as to the availability of these workers, and made arrangements for them to send their representatives directly to the plant and to hire workers on the spot. There are about 11 companies that have representatives in the plant, beginning yesterday.

They have a demand for about 2,000 workers. In addition, there are 2 or 3 other important war producers in the general area that have orders for several thousand such workers. The first day, the placements or actual hiring amounted to about 402 workers. I have not gotten a report as to how the work is progressing today.

Mr. BORCHARDT. When was the Manpower Commission first notified of the pending termination?

Mr. STOCKING. May 23.

Mr. BORCHARDT. When did you send your representatives to the plant of Brewster?

Mr. STOCKING. It was done by the regional office, and so I am not sure what day they arrived. They opened this hiring center in the shop yesterday morning.

Mr. BORCHARDT. Would it facilitate the work of the Manpower Commission if the Commission received advance notice of any impending termination?

Mr. STOCKING. Yes.

Mr. BORCHARDT. I would suggest we wait until the Senator returns. He will be back shortly.

(Short recess.)

Senator MURRAY. You have concluded your statement?

Mr. STOCKING. Yes. Just as you were leaving I said we were officially notified of this on May 23. I have been informed since I made that statement that Mrs. Rosenberg, our New York regional director, had been informed of it on the 20th.

Senator MURRAY. You are now engaged in an effort to find work for these workers?

Mr. STOCKING. That is right. We have 13 employers with representatives in the plant now hiring workers directly, and there are 17 other employers who have their representatives in our offices in Long Island. They would be in the plant, but there is not enough space for all of them there.

Senator MURRAY. I understand the War Production Board is engaged in a serious effort to find other work for this plant and they might possible discover some production that could be assigned to this plant. Have you any other comments to make with reference to this situation, how it should be handled in the future?

Mr. STOCKING. Well, the question was asked of me after you left the room, if it would facilitate our work if we knew about these impending cut-backs in advance. Of course, it would. In some cases where the manpower factor is a very important one, we have something real to contribute in facilitating the transition from a cut-back of war production to civilian production. We are represented, as Mr. Wilson pointed out, on the staff committee of the Production Executive Committee of the War Production Board, and I share Mr. Wilson's hope and his optimism that this will bring about a much better situation in the future.

Senator MURRAY. Thank you very much for your statement.

The CHAIRMAN. If Mr. Frankensteen is still here, I would like to call him back to the stand.

Senator MURRAY. I would like to ask you, Mr. Frankensteen, after hearing the testimony here today, do you have any further statement which you wish to make for the record?

STATEMENT OF RICHARD T. FRANKENSTEEN—Resumed

Mr. FRANKENSTEEN. Yes; I would like to say that Justice Byrnes has just issued a statement which I believe will arrive here shortly. On the basis of that statement, which I do not want to quote before it arrives, I am going to instruct our people in the plant to leave the plant and return to their normal operations. I think the statement will explain the reason why I make that request. I understand from the statement that Justice Byrnes has asked that the Termination Committee meet tomorrow with Mr. C. E. Wilson to discuss ways and means of reutilizing this Brewster plant.

I should like to say, also, that I think this very exhaustive inquiry today proves the need of the action that has been talked about, that of establishing a form of procedure. We hope this Brewster case will serve as a warning to the Congress and Government that we cannot afford to continue to drift. We need immediate legislation setting up an Office of War Mobilization and Post-War Adjustment, and providing specific policies and procedures designed to avoid economic dislocations in the wake of large-scale cut-backs and contract terminations.

That is the only statement I wish to make until Justice Byrnes' statement arrives.

Senator MURRAY. Thank you, Mr. Frankensteen. I am in full accord with your statement and, as you know, my committee, the War Contracts Subcommittee of the Military Affairs Committee, is engaged in the study and preparation of such legislation as you have spoken about. We hope to have it ready at an early date. It is unfortunate that we did not have it ready long before this. But these problems are coming on us all of a sudden, and we are doing all we can to meet the problems.

Mr. FRANKENSTEEN. I appreciate that.

Senator MURRAY. This will terminate the hearing.

(Whereupon, at 3:35 p. m., the subcommittee adjourned.)

Columbia University
NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1730

A BILL TO CREATE AN OFFICE OF DEMOBILIZATION, ESTABLISH GENERAL POLICIES FOR THE OPERATION OF THAT OFFICE, PROVIDE FOR THE SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS, PROVIDE FOR THE DISPOSAL OF SURPLUS GOVERNMENT PROPERTY, AND FOR OTHER PURPOSES

S. 1823

A BILL TO ESTABLISH AN OFFICE OF WAR MOBILIZATION AND ADJUSTMENT

PART 7

JUNE 12, 1944

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

MONDAY, JUNE 12, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to notice, at 10 a. m., in room 357, Senate Office Building, Senator James E. Murray (chairman) presiding.

Present: Senators Murray (chairman), Revercomb, George, Lucas, Kilgore, Austin, Vandenberg, and Shipstead.

Senator MURRAY. The committee will come to order.

Before calling upon Mr. Justice Byrnes, Director of War Mobilization, who will testify this morning, I wish to call attention to the fact that there is a widespread demand throughout the country for swift action on the legislation pending before this committee.

We are rapidly approaching the final stage of the war. Our troops are now engaged in the invasion of Hitler's Europe. While the possibility of protracted resistance by the German Army must be taken into consideration, an early victory is the fervent hope of every American.

Unfortunately, our plans for peace have not kept pace with the progress of the war.

Thus far, congressional action on post-war problems has been limited to veterans' legislation, which has just been agreed upon in conference committee, together with the legislation providing for the settlement of terminated contracts and the removal of termination inventories.

The contract termination bill does not deal with the subject of providing civilian production to take the place of production under war contracts as they are being cut back or canceled. The G. I. bill does not deal with the subject of providing employment—either for veterans or for labor as a whole.

While both of these bills are of great importance, it is most essential that the Congress promptly enact a broad post-war adjustment measure that will meet the problems we will be called upon to face and provide confidence in the future.

Such an act must include at least the following:

(1) A strong and effective Office of War Mobilization and Post-War Adjustment to formulate and carry out the plans that are needed to achieve post-war prosperity and full employment.

(2) Clear-cut policies and procedures for handling the curtailment of war production and the resumption of civilian production, with full and complete protection for workers and small businessmen.

(3) A strong and effective system of unemployment compensation to protect the living standards of American labor by providing for complete coverage of all workers and 52 weeks of substantial benefits over a 2-year period.

(4) Advance planning for a long-range housing program, and for a sound public-works program to be held in readiness to meet any possible development of unemployment.

(5) A constant check by the Attorney General, with regular reports to the Congress, on all trends toward the extension of monopoly or increased concentration of economic power.

The War Contracts Subcommittee has been working on this legislation for many months. We have had many weeks of public hearings and have consulted broadly with Members of Congress, Government administrators, and representatives of labor, industry, and agriculture.

The subcommittee is anxious to have the views of Mr. Justice Byrnes on this proposed legislation, before reporting to the full committee. The experience of Mr. Justice Byrnes as Director of War Mobilization, and as a legislator of long standing, eminently qualifies him to advise the committee on these measures.

Following the testimony of Mr. Justice Byrnes, the subcommittee will report to the full committee as promptly as possible.

Mr. Justice Byrnes.

STATEMENT BY JAMES F. BYRNES, DIRECTOR OF WAR MOBILIZATION

Mr. BYRNES. Mr. Chairman and gentlemen of the committee. Last December I discussed with you in executive session the problems of contract termination and the disposition of surplus property. I told you that, while waiting for the enactment of legislation which we agreed was essential, I would proceed as far as possible under existing law.

In December we established the Contract Termination Board. Mr. John Hancock has been acting as chairman. Progress has been made, but to operate efficiently legislation is necessary. The bill passed by the Senate provides the necessary machinery for contract terminations, and I hope it will soon be acted upon favorably by the House.

In February by Executive order there was established the Surplus War Property Administration. Mr. William L. Clayton was appointed Administrator. The experience of the Administrator should be helpful in the drafting by your committees of the bill providing for the disposition of surplus property.

The Baruch report recommended the establishment of a Work Director. By Executive order the Retraining and Reemployment Administration was established. Brig. Gen. Frank T. Hines was placed in charge of this work. He is making progress, and I understand has appeared before your committee as to certain phases of his work.

The Post-war Adjustment Unit established last fall has been under the direction of Mr. Bernard M. Baruch, with the assistance of Mr. Hancock. Having filed their report some weeks ago, they advised me there was no reason for the continuance of the Unit and requested that it be discontinued. This request was agreed to. Mr. Baruch continues as special adviser to the Office of War Mobilization, the position he has occupied since the establishment of the Office.

I have recited the status of these agencies under the direction of O. W. M. and concerned with the reconversion program before presenting to you my views as to the bill you have invited me to discuss, S. 1730.

When the Office of War Mobilization was created and until quite recently, the procurement agencies were engaged in developing many new programs. Now their programs, with a few exceptions, have reached a peak. The job is to maintain that peak. If the Congress intends to recess within the next 2 weeks, one would be an optimist to expect this bill to become law until after the recess. Certainly, by that time, the big task will be planning for demobilization. Should the bill then pass, I do not want to be immodest and assume that the President would offer to appoint me to the office the bill creates, but if, because I am Director of War Mobilization, he should do so, I feel that at that time the mobilization situation will be such I could decline to accept, and I would so decline.

I make this statement so you will know that any opinion I may express about the bill is not influenced by a personal interest in the office it creates.

I believe that the George-Murray bill which you have under consideration is a step forward in the right direction. It should help in the development of unified and consistent policies and programs for the post-war period without interference with the war effort.

As I understand the bill, it gives statutory authority to the Office of War Mobilization and Post-war Adjustment to exercise the war-mobilization powers now exercised by me under Executive order and, in addition, to exercise somewhat comparable powers in the field of demobilization and post-war adjustment. It is highly desirable that such important powers of direction and planning whether for mobilization or demobilization should be defined and confirmed by the Congress.

Extensive reorganization of Government agencies was necessary to build up effective governmental machinery for war. Extensive reorganization and consolidation of Government agencies will be necessary to streamline and simplify the governmental machinery for peace. Some of this remolding of governmental activity can be achieved under existing law, some of it will require legislation. It is important, in my judgment, to have an office like the proposed Office of War Mobilization and Post-war Adjustment with statutory authority to guide and supervise the development of over-all policies and programs in close cooperation with the Congress without itself directly taking on the burden of detailed administration.

I hope that you will retain, in the bill, provisions supplementing the existing Federal social-security legislation. These provisions should (1) induce the States to liberalize their unemployment insurance laws during the period of readjustment and demobilization, and (2) enable the States to secure reimbursement from the Federal Government to the extent necessary to prevent the State unemployment funds being unduly depleted by reason of the increased burdens imposed on such funds.

Assuming that Germany is still at war with us when we reach the fourth quarter of this year, we must expect cut-backs in some programs that will necessarily cause many persons to be unemployed in certain industries and in certain areas. When Germany surrenders, cut-backs

will probably increase, and when peace comes we must expect considerable unemployment. To lessen this unemployment, it is important, first of all, to provide for the intelligent conversion of industry to peace. If men are to be employed, we must have employers, but we must realize that, notwithstanding what we may do to facilitate reconversion, we are bound to have some unemployment. The extent of that unemployment is dependent upon too many factors for one to hazard an estimate.

My opinion is that if reconversion is handled intelligently, the unemployment will be of relatively short duration. I do not believe that we can leave entirely to industry or to local governments the burden of alleviating the distress that will result from unemployment caused by the cancelation of the contracts of the Federal Government.

If we agree that the Federal Government has a duty to perform, the question is, How shall that duty be discharged? Because I believe the unemployment will be of relatively short duration, I do not think the Congress should revive the Works Progress Administration. Nor do I think you should authorize the payment to employees of dismissal wages, to be charged up to contracts. That would offer relief only to a portion of the unemployed. It would mean the payment of a bonus to some employees who might get a job the following week while other employees might be unemployed for months. I believe that unemployment insurance should be our first line of defense.

In a speech in New York last April I expressed the view that existing State unemployment insurance laws were framed to meet local conditions of temporary unemployment and are not adequate to deal with the Nation-wide problem of reemployment. I stated that demobilization must be regarded as a national problem and its costs as part of the costs of the war. I suggested that the State unemployment insurance plans should be supplemented by Federal support to the extent necessary to give practically all workers, during the transition from war to peace, suitable unemployment benefits.

I am in substantial accord with the provision of the George-Murray bill on this subject. It is evident to me that an effort has been made to develop a plan which would most smoothly gear into the operation of existing State unemployment insurance laws. It does not propose, and it is not necessary, to federalize the State unemployment insurance laws for this purpose. By its terms the proposed legislation is limited to the emergency period, terminating 2 years after the cessation of hostilities, and requires specific and affirmative action of the Congress for its continuance.

In order that some States may not receive more favorable treatment than others, the bill wisely provides that the State laws be required to meet the following minimum standards during the period of transition from war to peace:

First, workers in covered occupations, of employers of one or more workers, instead of eight or more (as now provided by Federal law), must be eligible for unemployment benefits. This simply makes the incidence of unemployment insurance the same as old-age insurance. It is estimated that this would bring 3,000,000 workers now unprotected under the protection of the unemployment insurance laws.

Second, compensation for a minimum of 26 weeks of total unemployment within a benefit year must be provided. In some States, I am informed by Mr. Altmeyer, an unemployed person, no matter how long he is unemployed, can draw only a few weeks of benefits, and that about half of the States provide less than 17 weeks of benefits. Even in a good year like 1941, it is estimated that more than one-half of the claimants for unemployment compensation exhausted their benefits before they found employment. The present limitations on aggregate benefits are much too severe to carry us through a period of extensive reemployment.

Third, the maximum rate of compensation must not be less than $25 for a week of total unemployment. In 22 States no worker can now receive more than $15 a week in benefits regardless of his previous wages. That is not enough for workers accustomed during the war to earn $40 or $50 a week or even more. Since State laws were originally enacted, the cost of living has materially increased.

I had hoped that the G. I. bill would allow a maximum rate of $25 a week of unemployment benefits for our servicemen, but as a rate of $20 a week has been agreed to by the conference committee, I suppose that your committee will want to lower the requirement in this bill from $25 to $20.

The minimum requirements suggested by the George-Murray bill are not unreasonable in themselves, and they are certainly necessary to prevent an undue inroad on workers' purchasing power during the emergency period when an unusually large number of workers will be seeking reemployment.

The committee's plan provides that when the unemployment funds of a State are less than the amounts collected during the perceding year the State shall be entitled to have transferred from a Federal reinsurance fund to the State unemployment fund an amount equal to the unemployment compensation paid by the State in excess of 2.7 percent—the credit allowed to the States under the Federal unemployment tax—of the wages taxable under State law. This reinsurance by the Federal Government should not only induce the States to meet the minimum requiremens set, but should encourage them to broaden their coverage and, further, to liberalize their benefits.

As the States cannot be expected to make the necessary changes in their own laws before July 1945, I think a provision such as has been incorporated in section 305 of the bill is important and necessary. It will enable the States by agreement to make before July 1945, the payments which the bill seeks to require them to make after that date and will enable the States so agreeing to receive from the Federal reinsurance fund the additional costs of any such payments made prior to such date. This may be very important if, as we all hope, the German surrender occurs prior to July 1, 1945.

I have asked the advice of General Hines and Mr. Altmeyer on the bill's proposal. Both of them have gone over the proposal carefully and have discussed it with General Hines' policy board. Not being an expert on unemployment insurance legislation, I have had to rely on their experience and technical judgment. They are in general accord with the proposal but have suggested certain technical improvements in the bill. I will leave their suggestions with the committee. To avoid any fear of open-end liability in the Federal Government, I

would endorse their suggestion that the Federal Government be not required to underwrite State unemployment compensation in excess of 36 weeks of total employment in a benefit year or in excess of a weekly rate of $30.

I am also leaving with you a letter which Mr. Altmeyer prepared for me, giving data on the inadequacy of the benefit and financial provisions of the existing State Unemployment Compensation laws.

(The letter referred to, and accompanying data will be found at p. 274 of Mr. Byrnes' statement.)

Mr. BYRNES. I am glad to see that there has been inserted in the bill a provision to enable the United States Employment Service to bear the necessary cost of transporting war workers to their new work or their old homes. Workers should be helped to leave localities where there is no longer work for them That is rightly regarded as a part of the cost of demobilization.

I should also point out that there are a large number of Federal industrial workers who are not covered by the State unemployment insurance laws, and separate legislation will be necessary to provide necessary protection for them.

Unemployment insurance is our first line of defense against unemployment. If you can induce the States to utilize their great reserves in making more liberal allowances, I think you will be able to tide over the reconversion period, and you will have time, in the light of conditions then existing, to determine what you want to do about public works. However, if the allowances are inadequate, you will not have any time. The average weekly compensation of employees in manufacturing establishments is now $45. If such an employee, when out of a job is paid $15 a week, he will have to pay most of it for rent. When he gets through paying for rent, light, heat, insurance and medicine, he will have so little left for food that he will be demanding that the Federal Government provide work. I hope the appropriate congressional committees will now begin consideration of a program of public works which in an emergency can be promptly authorized. The Federal Works Agency has prepared a program for road construction and for Federal buildings. I am advised the National Housing Administration has submitted to your Post-war Committee suggestions as to housing plans.

I have discussed the human problem at some length because it is the most important. There can be no effective solution of that problem unless all phases of the demobilization program are carried out. It cannot be carried out until we get the necessary legislation. The program for the termination of contracts can only limp along until the enactment of the bill passed by the Senate some weeks ago. The machinery is prepared to have the field representatives of the procurement agencies instructed as to the policies Congress wants followed in such settlements. Plans have been made to bring from universities capable instructors who, after studying the procedure, can, when they return to their institutions in various sections of the country, instruct the accountants of corporations as to the policies and procedures. But neither the accountants of the Government nor the accountants of industry can be instructed until the policies are determined upon.

The extent of unemployment will be greatly aggravated by any delay in the settlement of contracts. If the settlements of thousands

of contracts are to be held up until there is a detailed audit, then we may as well immediately provide for a huge public works program.

Some few contractors may be found to be corrupt. When this occurs, they should be severely punished. But that we exaggerate the fears of contractors taking advantage of the Government in settlements, is evident from the record of settlements for the month of April. The War Department authorized the termination of 1,482 contracts; 598 contractors filed claims as a result of termination; 1,057 agreed to immediate settlement without filing any claim growing out of termination. The contractors took the position in most instances that if they received a payment as a result of a claim, by the time they got through with renegotiation and the payment of excess-profit taxes, the amount they received would not be worth the time and effort necessary to file a claim. They were satisfied to have the Government quit. The value of the items canceled, and for which no claims were made, amounted to $192,000,000.

When you provide for contract terminations you are not giving contractors something—you are simply providing for the Government to promptly pay what it owes. That's being honest. And, as always, honesty is the best policy. If we promptly stop production when it is no longer needed, we help the taxpayers. If we promptly pay what we owe, the contractor can promptly return to civilian production and provide jobs for workers.

In a progressive step to aid in the reconversion, the services have requested all their contractors to advise them the number of Government-owned machine tools in their plants that they would be interested in purchasing and the number that they can store. Through the Surplus War Property Administration, steps are being taken to enable the contractors to purchase now for future delivery such of these machine tools in their plants as they wish to acquire at prices to be fixed by the Administration and subject to the right of the Government to repurchase at the sale price if any future requirement by the Government should develop therefor.

Today we are prepared for war. But we are not unprepared for peace.

Looking to the collapse of Nazi Germany, the armed services are already far advanced programing the orderly demobilization of our soldiers and sailors and the largest possible release of our industrial plants and civilian population from military production.

Our fighting men are entitled to first consideration in any plan of demobilization. Their orderly release at the earliest possible moment, consistent with the effective prosecution of the war, has ever been the primary consideration of both the President and the Joint Chiefs of Staff. Fair standards for their discharge in such numbers as the defeat of Hitler will permit have already been established, not arbitrarily, but in a highly creditable democratic way. The soldiers and sailors themselves have been interviewed and their views have been followed as to both the standards to be used and the weight to be accorded these standards in fixing the order of demobilization of our servicemen. Our admiration for the men in the armed services is even further increased when we learn that 90 percent of those who were interviewed asked that those among them who had seen service at the fighting front be given a preferred consideration, and that fathers enjoy a priority over nonfathers in release from the services.

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It is the intention of the Government that all men in the armed services, as well as their families, shall understand thoroughly the standards to be followed in the demobilization of our soldiers. To this end there has already been prepared a moving picture setting forth the standards to be followed and the reasons for these standards. This moving picture and other methods will be used to show to our troops at home and abroad, and to their families at home, the entire plan of demobilization.

Similarly, comprehensive steps have been taken by the Army staff for the curtailment of military production immediately upon the collapse of Germany. The Army has already prepared a revision of its current supply program, to be put into effect with the surrender of Hitler. Substantial reductions in practically all categories of procurement are provided for. These revised procurement tables have already been made available to W. P. B. Broken down into categories, these tables put W. P. B. in possession of the exact knowledge of the amount of plant capacity that will thereupon be immediately available for transfer to civilian production. They are also broken down by regions, by States, and even by major cities.

While perhaps not as far advanced because they will not be affected to the same extent by the collapse of Germany, the other branches of our armed services are working toward this same goal and following similar procedures.

These revised tables of the Army will shortly be made available to its field offices. It is preparing even now to advise its contractors in the near future the amount of the proposed reduction in their orders of military production to be put into effect with the collapse of Germany.

The contractor himself can thus plan today for X-day and his own reconversion problems.

While we move to X-day—the collapse of Germany—there will be many adjustments in our military programs. In large part they will represent shifts in the production of essential military requirements. There has been established by the Army Service Forces a procedure which makes such adjustments in our military programs as orderly as possible. Each week there is held a meeting of the production committee of the Army Service Forces attended by representatives of W. P. B., W. M. C., and Smaller War Plants Corporation. This meeting indicates tentative general reductions contemplated in any of its programs and lists the contractors involved in such programs. Thereafter the program is reviewed by another board, a recommendation is made for a reduction of the program and the plants to be affected thereby. In selecting the plants to be cut back, cost, use of materials, performance, labor availabilities, transportation, and other factors are considered.

Before any cut-backs of actual contracts can be authorized, the proposed cut-backs must be submitted to the Military Cut-back Subcommittee of the Production Executive Committee of W. P. B. on which sit representatives of W. P. B., Army, Navy, and Maritime Commission. Immediately following the meeting, War Manpower Commission is advised of the tentative plans. The contractor and his labor representatives are given notice of the cut-back formally, and it is the rule in the Army that at least 30 days' notice in writing shall be given unless exceptional circumstances are presented.

The collapse of Germany will necessarily have a greater effect upon the program of the Army than it will upon the plans of the Navy. The war against Japan will prevent important cancelations by Navy. But Navy has a complete program as to what will be done upon the cessation of hostilities. The plans of the Navy are similar to those of the Army. And the completeness, the thoroughness of these plans is amazing. The Army and Navy have done a great job.

When contractors throughout the country, on the collapse of Germany, are directed by telegrams from Army representatives to make specific cut-backs, complete information about those cut-backs will already be in the hands of W. P. B.

W. P. B. cannot draw an exact blueprint of what it will do. In practical operation the contractor, advised of what will occur on X-day, will consult the representative of W. P. B. as to the raw materials that will be available to him for civilian production at that time. The function of W. P. B. will be to give him the information and on X-day release him from what they call the limitation order The purpose will be to release him from restrictions at the earliest possible moment.

W. P. B. is going to advise contractors in the next few days that, without waiting for X-day they should now place orders for such machine tools as they will require for civilian production. The machine-tool producers will be authorized to manufacture such machine tools whenever plant capacity permits.

The Production Executive Committee, of which Mr. Wilson is chairman, last week appointed a subcommittee composed of the procurement agencies, War Manpower Commission and Smaller War Plants Corporation. They are advised of proposed cancelations in an industry when they are first considered and before particular contracts are selected for termination. When a selection is made, this committee will canvass all procurement agencies to see if additional war work can be given the contractor. And this committee is now engaged in drafting uniform procedure, based on the efficient Army program for the termination of contracts.

Without going into further details, I wish to state that I feel confident that intelligent and detailed plans have been made for effective and prompt action on X-day. And these plans are being constantly perfected.

The Smaller War Plants Corporation is being given a more important part in the reconversion picture. I appointed its representative to the Contract Termination Board and the Policy Board of Surplus War Property Administration. In converting from peace to war the requirements of the armed services were such that smaller war plants, in many instances, were not utilized. Now we must assist them. When the European war ends we may have a more ample supply of steel. W. P. B. must allot to the armed services their requirements. If, for instance, that should be 20 percent, then before allotting the balance to the market, a small percentage should be set aside for small plants to assure they will not be denied materials because of the manufacturers' desire to prefer purchasers of large amounts. If we are to help small business provide jobs, we should give Smaller War Plants Corporation more authority and broader loaning powers.

I cannot too strongly urge upon Congress the enactment of the legislation without which all reconversion plans are ineffective. In addition to the contract termination bill, pending in the House, your committee is about to consider the bill providing policies for the disposition of surplus property. Plans for the administration of these policies are being developed by Mr. Clayton. If Congress promptly passes that bill, those plans can be put into immediate operation.

I have discussed only those bills constituting the reconversion program which are considered by this committee. I have one other suggestion as to legislation not within the jurisdiction of this committee, but affecting reconversion plans of the committee. Sometime ago tax experts of the Treasury began working upon data for post-war revenue legislation. I fully realize that it is impractical for Congress to consider revenue legislation that would not be enacted until there is a new Congress, but I know that Congress has an efficient corps of tax experts. I hope that the chairman of the Finance Committee and the chairman of the Ways and Means Committee of the House can direct the experts of the joint committee to commence work upon a post-war revenue bill. Treasury experts assure me they are ready to assist if desired. Recalling that it has always taken months for the preliminary work of a general revenue measure, I hope that that spade work can be done this summer and fall. War taxation should end with the end of the war. It is important that as soon as possible after X-day, there be a revision of the tax laws that will encourage capital to invest in industry. The knowledge that the Congress is working on a revision would encourage men to plan for the investment of capital and for the employment of people. As I understand it, that is the object of this bill, and the other bills in this reconversion program, to furnish real jobs to the service men and to the war workers of the Nation.

Let me conclude with one important note of caution that cannot be overemphasized. We are only on the threshold of the invasion of Europe. The destruction of Germany is distant. Our preparation of demobilization plans must not become an excuse for any relaxation of our present war production. For a long time to come war production must remain our major concern. But as we all labor unceasingly for victory, we can be heartened by the assurance that plans are being perfected to ease the transition from war to peace, to guard, so far as is possible, against unemployment and to give such stimulus as may be feasible to the revival of civilian production.

A representative of your committee, a staff representative, was kind enough to give me Saturday a suggestion of some questions. I think in the statement that I have read I was dictating Saturday, I covered many of them. There are several, however, that I would briefly refer to.

One of them is the appointment of your joint committee. I feel it is an excellent idea. I would love to see it tried; it is an experiment that I have always wanted to be given a fair opportunity to try. I have one recommendation and that is that the committee do all in its power to limit the size of the committee. My observation is this, that with a joint committee, when the membership is large, it is difficult for it to function.

Again, I have the idea that, after serving here, and serving in the executive branch of the Government, if the committee was small there would be a chance of establishing a relationship between the

executive branch of the Government and the congressional branch of the Government. It would be most helpful, and if the Administrator were a wise man, he would advise with the joint committee, not only on what he has done but on what he is thinking of doing, and the joint committee then could advise the members of the respective Houses—as I know it is done, not in formal meetings, but in their daily contacts, on what is being considered, and the result would be the establishment of a relationship that should be helpful, not only to the Congress but helpful to the executive branch of the Government in having its actions understood and not misunderstood.

As to the next question, as to the investigation for the purpose of eliminating and consolidating agencies, I am heartily in accord with that provision. Years ago I said that the nearest approach to immortality was a Government bureau. I have not changed that opinion. I do not think it makes any difference what party is in power, that is the fact.

In the last war, when I served on the Appropriations Committee of the House, I found a situation where, during the last war as in this war, quite a large number of agencies had been established, and I was amazed at the plausibility of the excuses and reasons given for the continuance of every one of those agencies; and also surprised at the support that those efforts received. It will require courage and determination, but it is essential that it be done, if you are going to restore Government to a peace basis.

The next question that I think is not covered is as to the Board, the advisory committee, which in this draft of the bill, as I get it from reading it Saturday, provides for the appointment of an Advisory Board of Industry, Agriculture, and Labor, and leaves to the discretion of the Director whether they should meet together or whether they should meet separately. I think that is wise. When you go to appoint a committee of that kind it is difficult to get a small committee. You go to appoint a representative of agriculture which has several organizations, they all want to be represented; you find the same thing in the labor field, and when you get to the field of industry, the same situation. It may be desirable for the Director to consult industry as to a problem purely industrial, industry alone, and that, as to a labor problem. If he has the discretion to, under this act, consult them, if he thinks it necessary to have them meet, have them meet together, but it would not require the summoning of an industry committee to set it upon the consideration of a problem which was purely agricultural and therefore the language, as drawn, it seems to me would be wise.

There is a provision in the bill as to the question of policy that prompts this question in this memorandum given me:

Is it not important to provide against a man who may be retained in the armed services simply to avoid unemployment?

I think it answers itself, but I think it would be wise to leave the language in the bill, because again you have a lot of human nature to deal with, and if, when proposels are made that you do just that very thing, it would be a lot of support to the Administrator, whoever he is, to have that provision in the bill. There is not any question of what is going to happen.

We cannot continue all of the plants that are now in production. Whenever you propose to discontinue, again, it is going to require courage.

We know from our experience what is going to happen back in the community where the plant is located. Some enterprising secretary of the chamber of commerce will go to the merchants in the city and ask if they are in favor of the continued prsperity of the community. There is but one answer to that, which is, "Yes," so they sign this telegram to the Governor, the Senator, and the Congressman. When the Governor gets it he says, "Well, it is not my responsibility; I will just send it up to the department." The Senator does the same thing, and the Congressman does the same thing.

When it gets down to the department, the gentleman there, who has been drafted from business, and who is there on leave, the responsibility is his; but when some able Representative in the Congress advises him that it is essential that this plant be continued, it is easy for him to say, "Well, after all, I don't levy the taxes upon the people; these gentlemen do, and if they think it is all right to continue it, and they are going to levy the taxes—I should like, in the first place, when I get back to my business, I might need their assistance in something, and who am I to say that the representatives of the people are wrong?" and he continues the establishment.

The trouble is in the lack of responsibility, that the Government may not do what it ought to do.

I think those are about all the provisions of the bill to which my attention has been called and which I did not discuss in the statement I submitted.

Senator MURRAY. I think you have answered the questions that the committee was interested in.

Mr. Byrnes, with reference to the Advisory Board that we are setting up, of course you recognize that many times an industrial question is of such a character that it may have a very serious effect upon labor and upon agriculture, and that in such instances agriculture or labor would have and need the right to be heard and have their advice considered.

Mr. BYRNES. Of course, and I assume that is why the committee, or the drafters of this bill, provided the language that they should have a meeting of all three groups to advise. Some problems cannot be separated, the interests of management and labor happen to be the same. Some problems, however, may be peculiarly ones for a group, and I assume your idea was that in such a case, that the Director could request the assistance of that group alone.

After all, it is for the purpose of giving the Director the benefit of advice, that he would know whom to go to and what source he can get the information from.

Senator MURRAY. I think the committee agrees with you that the most important feature of this legislation will be the unemployment-compensation features of the bill, because it is vastly more important that a program of that kind be sufficiently effective to take care of the unemployment situation that will undoubtedly result during the reconversion period. I believe you have covered that very fully in your prepared statement.

Senator VANDENBERG. At this point may I ask a question, Mr. Chairman?

Senator MURRAY. Yes.

Senator VANDENBERG. To clarify my thought on the subject, Mr. Byrnes, on page 4 of your statement you suggest that the maximum rate of compensation must not be less than $25 a week for total unemployment; then you suggest that you have come down to $20, in order to parallel the G. I. bill; then over at the top of page 5 you suggest that the Federal Government be not required to underwrite State unemployment compensation in excess of 36 weeks of total employment in a benefit year or in excess of a weekly rate of $30.

What is the relationship between the $20 on page 4 and the $30 on page 5?

Mr. BYRNES. Well, it says not less than $20; the maximum rate that Michigan fixes, for instance, should not be less than $20. That would be one of the standards added to those now existing in the law. The thought that occurred to me then was that it would be all right to make that standard, but then Michigan might say that "if we are to be given a guaranty from the Federal fund that was not less than the maximum, but we will say $40, that they go up to $40," then you would have to pay. There ought to be some break-up from that. That occurred to me after the first rate statement. You say here, now, in Michigan the maximum should not be "less than $20", but suppose another State says $30 or $40—it says "not less than", but it does not say "nor more than." I think that you ought to give some thought to it. It is not in the bill, but it is contained, however, in the statement which I am going to leave with you from either General Hines or Mr. Altmeyer to whom I submitted the proposal for a technical analysis and a criticism. I believe it was Mr. Altmeyer really that first suggested that you might want to put some brake in that language. I am going to leave the letter with the committee. It will be helpful to you when you do get to consider it.

(The analysis submitted by Mr. Altmeyer is as follows:)

FEDERAL SECURITY AGENCY,
SOCIAL SECURITY BOARD,
Washington, D. C., June 9, 1944.

Hon. JAMES F. BYRNES,
Director, War Mobilization,
The White House, Washington, D. C.

DEAR JUSTICE BYRNES: You will find enclosed a memorandum analyzing the statements made by the State representatives before the Senate Committee on Post-War Economic Policy and Planning. I was unable to obtain the statement made by Paul A. Raushenbush, of Wisconsin, but I assume that it was along the same lines as the other statements.

In connection with the question of minimum benefit standards, you may be interested in a statement made by the South Carolina Unemployment Compensation Commission in a small monthly news sheet which it issues. I am enclosing an excerpt, from which you will notice that the commission makes the statement that:

"Uniformity of coverage, minimum benefits, and uniform eligibility requirements would result in no more federalization of unemployment compensation than the uniformity of weights and measures.

"Human needs vary very little, if any, from State to State."

The South Carolina Commission stated that "The maximum benefit amount should be variable in accordance with the ability of the States to pay." However, with a Federal guaranty of solvency it might very well be that the commission would also favor maximum benefit amounts.

In my letter of June 2, I stated that in some States an unemployed person can draw only 2 or 3 weeks of benefits. I also stated that in 9 States, including Texas, the average maximum period for which workers could receive beneffts was less than 12 weeks, although the State laws might provide that some persons could get as much as 16 weeks.

The explanation of these statements is as follows:

In 17 States, the duration of benefits is uniform for all eligible claimants. This is the situation, for instance, in South Carolina where every eligible unemployed person is entitled to receive 16 weeks of benefits. In the 34 other jurisdictions, however, the duration of benefits varies in relation to past earnings. For instance, in Oregon the maximum duration of benefits is 16 weeks but in order to receive the full 16 weeks of benefits at $15 per week, it is necessary to have received $1,440 in wages in the preceding year. A person who received less than this amount in wages in the preceding year would receive anywhere from 3 up to 16 weeks, depending upon the amount of wages earned. The average maximum duration in 1941 and 1942 in Oregon was only 10 weeks.

In Texas, the maximum duration of benefits is 16 weeks. However, the duration is not uniform but varies with the amount of wages earned in the preceding year. Some persons are entitled to draw only 4 weeks of benefits. Because of the fact that many persons are not eligible to draw the full 16 weeks, the maximum duration in 1942 averaged only 11 weeks. This explains why 66 percent of all beneficiaries exhausted their benefits in Texas in 1940–41 before becoming reemployed.

Sincerely yours,

A. J. ALTMEYER, *Chairman.*

ANALYSIS OF TESTIMONY OF STATE UNEMPLOYMENT COMPENSATION ADMINISTRATORS BEFORE SENATE COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING

I. PRESENT STATE BENEFITS ARE ADEQUATE

State representatives presented some testimony to show improvement in benefit provisions as contrasted with the provisions suggested by the Committee on Economic Security in 1935 and as contrasted with the original provisions in their own State laws. However, they did not present any testimony to show that their present benefit provisions are actually adequate as compared with the wage loss sustained. The material already furnished shows that on the average only one-third of the weekly wage loss is being compensated and that even in a relatively good year, such as 1941, 50 percent of the unemployed workers exhausted their benefit rights before they found another job.

As regards the proportion of weekly wage loss which is compensated under the present benefit provisions, the proportion is less than it was in 1941 because of the fact that maximum weekly benefit provisions have not been raised as much as earnings have increased.

As regards the exhaustion of benefits because of limitations on duration, it is probable that even with the increased duration provided by some State legislatures the rate of exhaustion will be higher than it was in 1941 because of the greater amount of unemployment that will prevail.

The amount of benefits paid in the various States has no consistent relationship to the wage loss sustained. That is to say, individuals with identical wage histories receive widely varying benefits depending upon the State in which they worked. Reference to table 1 will show the wide variation that exists.

Neither do the maximum benefit provisions in the present State laws bear much relationship to the wage levels in the various States, as evidenced by the fact that the maximum weekly benefits are higher in Georgia and Louisiana than in Ohio and Oregon. Moreover, the proportion of unemployed workers paid at the maximum weekly rate varies greatly (see table 2). The significance of the proportion of workers being paid at the maximum weekly rate lies in the fact that the larger that proportion is the more inadequate the weekly benefit rate is in terms of wage loss sustained. During 1943, 45 percent of all beneficiaries received the maximum weekly benefit provided under State laws.

Another indication of the lack of relationship between benefits paid, wage levels, and wage loss is contained in table 3 attached showing that the average weekly benefit in relatively low-wage States is sometimes higher than the average weekly benefit paid in relatively high-wage States.

The foregoing comparisons raise considerable doubt as to the validity of the argument that the variations in the State laws are due to variations in conditions. They also raise considerable doubt as to the validity of the companion argument regarding the virtue of State experimentation, since the experimental approach should not consist of irrational variation.

II. FEDERAL AID NOT NEEDED

In making the argument that Federal aid is not needed, most witnesses drew very little distinction between a system of Federal subsidies to reimburse the States for a fixed proportion of all benefits paid or for the extra cost of benefits supplemental to those provided by State law, and the proposal to guarantee the solvency of State funds. Their argument that they need no Federal aid now should be accepted. However, no one can determine at this date what individual States may need Federal assistance during the post-war reconversion period, since this will be dependent upon the amount and duration of post-war unemployment.

In passing judgment on the argument that the State reserves are adequate, consideration should be given to the fact that any State fund can remain solvent if its eligibility provisions, its disqualification provisions, and its benefit provisions are such that relatively little benefits are paid out in proportion to wage loss sustained. Thus, Claude Williams, president of the Interstate Conference of Employment Security Agencies and chairman of the Unemployment Compensation Commission of the State of Texas, asserted that their trust fund was solvent, although Texas has one of the least adequate laws.

Mr. Williams also made the argument that low-wage earners exhaust their benefit rights in larger proportions than high-wage earners because they voluntarily remain unemployed in larger numbers (pp. 992 and 1009). Mr. Williams' argument was that they had an incentive to remain unemployed voluntarily since their weekly benefit amounts to more than 60 percent of their earnings, while in the case of high wage earners the weekly benefit amounts to only one-third or one-fourth of their earnings. The validity of Mr. Williams' conclusion as to the reason for the higher rate of exhaustions of benefits by the low-paid workers is open to question, since data concerning duration of unemployment, collected before there were any unemployment compensation laws in this country, showed conclusively that the relatively unskilled workers, who are the low wage earners, had longer spells of unemployment than the more skilled and high-paid workers. The correct conclusion is that the inadequate duration provisions of the Texas law bear even more severely upon the low-wage earner than upon the high-wage earner.

Another reason why many States may not exhaust their reserves is that 11 States provide for reduction in benefits when the reserves reach a certain level. Such a provision of course, reduces the protection of the system at the time that it is needed most in order to remain technically solvent.

Certainly the illustration that Mr. Williams gives (p. 1024) that State trust funds aggregating $6,000,000,000 means that 25,000,000 unemployed persons can draw $240 each before the individual State reserves are exhausted is unsound, since these individual State reserves do not represent a consolidated and commingled fund.

III. INFLEXIBILITY OF UNIFORM FEDERAL BENEFIT STANDARDS

A number of witnesses argued that uniform benefit standards meant the benefit provisions would not be adaptable to varying State conditions. Apparently they failed to distinguish between a uniform benefit standard and a uniform benefit amount. The proposed benefit standards would not require the States to pay uniform amounts to all persons regardless of their previous wages. They would require that the States pay a percentage of weekly wage loss, up to a given maximum amount per week and they would require that all eligible persons be paid benefits for a maximum number of weeks so long as they are unemployed. However, the terms of eligibility would be determined entirely by the States so that short-term and very casual workers could be excluded by the States from eligibility. What these witnesses fail to take into account is that so long as benefits are related to wage loss they will be automatically adjusted not only to varying wage levels throughout the States but to varying wage histories of individuals as well.

It is interesting to note that while Mr. Williams opposes Federal minimum benefit standards, he advocates Federal maximum benefit standards, which logically he ought to consider fully as restrictive and unreasonable. Thus, he says, "This Congress might consider encouraging perhaps the incorporation in State laws of a provision that when a man makes $200 or $300 a month he is not entitled to draw any unemployment compensation" (p. 1008).

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The argument that uniform benefit standards are unsound cannot rest upon the assumption that such standards do not take into account varying economic conditions. It can only rest upon the assumption that individuals in similar circumstances do not have the same human needs. The necessity for individuals in similar circumstances being treated similarly is, of course, greatly increased by the interstate migration that has taken place since the war began. The great extent of this migration was established by various witnesses. Thus, Mr. Williams stated that Texas now has 229,913 workers who came from outside the State (p. 1017). Many of these workers will want to return to their home States, and the State in which they are working will want to encourage them to do so. When they do so, they will find themselves living next door to other workers with identical wage histories who will be receiving greatly varying benefits.

IV. FEDERALIZED ADMINISTRATION

All of the witnesses failed to distinguish between minimum benefit standards prescribed by Congress and Federal administration of unemployment compensation. The minimum benefit standards proposed would not interfere with State administration in the least. In contrast, the present standards already incorporated in the Social Security Act deal entirely with administrative requirements. Therefore, so far as interference with State administration is concerned, the benefit standards proposed constitute less of an interference than the present standards.

The resolution passed by the Governors at their recent conference is specifically directed against Federalization of the administration of unemployment compensation but does not specifically oppose benefit standards, although the governors may have also had that in mind (pp. 1128–30).

V. A STATE RESPONSIBILITY

Most of the witnesses assumed that unemployment compensation was entirely a State responsibility which the States had voluntarily assumed and would continue to meet unaided by the Federal Government. They failed to take into account that it is entirely due to the enactment of a 3 percent Federal unemployment tax by the Congress that the States now have unemployment compensation laws. Only one State had enacted such a law prior to the date that Congress undertook consideration of the enactment of the Social Security Act, and that State (Wisconsin) advocated the enactment of such a Federal act in order to protect itself from unfair interstate competition by the States that had failed to act.

None of the State representatives advocated the repeal of the present Federal unemployment tax. On the contrary, they recommended that it be extended to include employers of one or more and maritime workers in order to enable the States to extend the coverage of their own laws accordingly.

It would seem that so long as the States are willing that the Federal Government shall levy a Federal unemployment tax and to permit their employers to offset State contributions against the Federal tax, they should be willing to permit the Congress to lay down such conditions as the Congress considers necessary to insure the adequacy of the benefits payable, especially if the Congress is willing to guarantee the solvency of the individual State funds.

TABLE 1.—*Percent of wages compensated under 10 State unemployment compensation laws assuming individual earned $1,000 in wages in year prior to becoming unemployed*

	Percent benefits are of previous earnings
Five States paying high percentage of previous wages:	
1. Utah	40
2. Alabama	30
3. Massachusetts	30
4. Illinois	28
5. Nevada	27
Five States paying low percentage of previous wages:	
1. South Dakota	19
2. Kentucky	19
3. North Carolina	19
4. Maine	21
5. Mississippi	21

TABLE 2.—*Percent of benefit payments compensated at the maximum amount payable under 10 State unemployment compensation laws, 1943*

State	Maximum unemployment compensation benefit	Payments at maximum, percent
5 STATES WITH HIGH PERCENT OF PAYMENTS AT THE MAXIMUM		
1. Nevada	$15	85
2. Oregon	15	82
3. Washington	15	72
4. Arizona	15	72
5. Rhode Island	18	69
5 STATES WITH LOW PERCENT OF PAYMENTS AT THE MAXIMUM		
1. North Carolina	15	5
2. Maine	18	7
3. Kentucky	16	10
4. Delaware	18	18
5. South Carolina	15	25

TABLE 3.—*Average wages in 10 States in relation to average unemployment compensation benefits*

State	Average total unemployment compensation benefit, first quarter of 1944	Average weekly wage, third quarter of 1943	Percent average benefit is of average wage
5 STATES PAYING HIGH PERCENTAGE OF AVERAGE WAGES			
1. Utah	$18.96	$39.68	48
2. South Carolina	11.08	24.12	46
3. Mississippi	11.10	24.31	46
4. Louisiana	14.76	33.68	44
5. Florida	13.56	32.88	41
5 STATES PAYING LOW PERCENTAGE OF AVERAGE WAGES			
1. Maine	9.25	39.93	23
2. North Carolina	7.23	26.15	28
3. Kentucky	10.88	33.38	33
4. South Dakota	9.74	29.13	33
5. Iowa	11.34	32.37	35

EXCERPTS FROM THE NEWS AND REVIEW, APRIL 1944

(Published monthly by the South Carolina Unemployment Compensation Commission)

LOOKING TOWARD UNIFORM COVERAGE

Workers everywhere will be interested to learn that all the States are thinking in the terms of uniform coverage, as is in the csae of old-age benefits. Some propose one "take-out" of a workers' envelope which would include withholding tax, old-age benefits, and unemployment contributions. Such a procedure would simplify the work of the employer and make less painful the extraction from the employee's envelope.

We feel that a man who works for an employer with seven employees deserves benefits to the same degree as a man who works for an employer with eight employees.

We also feel that coverage should be uniform, that there should be a minimum weekly benefit amount in all the States, but that the maximum benefit amount should be variable in accordance with the ability of the States to pay.

Such uniformity would not interfere with State administration of unemployment compensation activities, but, on the other hand, would simplify administration, as well as lessen the work of all concerns operating in more than one State.

Uniformity of coverage, minimum benefits, and uniform eligibility requirements would result in no more federalization of unemployment compensation than the uniformity of weights and measures.

Human needs vary very little, if any, from State to State.

OFFICE OF WAR MOBILIZATION,
RETRAINING AND REEMPLOYMENT ADMINISTRATION,
Washington 25, D. C., May 30, 1944.

Memorandum for Director James F. Byrnes.
Subject: Proposed bill for unemployment-insurance benefits.

On May 11, 1944, we furnished you a copy of proposed bill to provide supplemental assistance to the States, Territories, and possessions, and the District of Columbia, to afford unemployment-insurance benefits during the post-war adjustment period to Federal employees and to war workers with inadequate coverage, and for other purposes.

The Policy Board of the Retraining and Reemployment Administration has had this proposed bill under consideration. Enclosed is a copy of the bill as revised and considered by our Board at its meeting yesterday. A copy of the bill and a statement of explanation (also enclosed) is to be sent to each member of the Board for thorough study and analysis before further consideration.

In view of your interest in unemployment-insurance benefits, I am glad to bring these developments to your attention as requested by the Administrator.

C. W. BAILEY,
Acting Executive Assistant to the Administrator.

A BILL To assist the States in improving and extending their systems of unemployment compensation, to assure the full payment by States of unemployment compensation during the transition and post-war periods, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Unemployment Reinsurance Act."

SEC. 2. (a) Effective July 1, 1945, section 1607 of the Internal Revenue Code is amended by striking out subsection "(a)" thereof and substituting the following:

"(a) Employer.—The term 'employer' means any person who, at any time during the taxable year, employed one or more individuals in employment."

(b) The amendment effected by subsection (a) shall not alter the liability of any individual under section 1600 of the Internal Revenue Code with respect to wages paid by him prior to July 1, 1945.

SEC. 3. (a) Effective July 1, 1945, section 1603 (a) of the Internal Revenue Code is amended by changing the period at the end thereof to a semicolon and adding the following subsections:

"(7) Compensation shall not be denied to any individual, by reason of exhaustion or cancelation of his benefit rights, until he has been paid an amount equal to compensation for 26 weeks of total unemployment within a benefit year.

"(8) The maximum rate of compensation payable under such law, including any allowance to or on account of dependents, shall be not less than $25 for a week of total unemployment."

(b) Section 1603 (c) of the Social Security Act, as amended, is further amended by adding to the end thereof the following: "The Board shall not certify any State law hereunder on December 31, 1945, unless it has previously approved such law as meeting, from and after July 1, 1945, the requirements of subsection (a) of this section, as herein amended, and shall not so certify any State law on December 31 of any ensuing taxable year unless it has previously approved such law under subsection (a) of this section, as herein amended."

SEC. 4. (a) Section 904 (a) of the Social Security Act, as amended, is further amended by inserting, immediately before the period at the end of the second sentence of the subsection, the following: "* * * or deposited pursuant to appropriations to the Federal Unemployment Reinsurance Account."

(b) Section 904 (e) of the Social Security Act, as amended, is further amended by inserting, after the words "a separate book account for each State agency", the following: "* * * the Federal Unemployment Reinsurance Account."

(c) Section 904 of the Social Security Act, as amended, is further amended by adding, at the end of the section, the following new subsections:

"(g) The Secretary of the Treasury is authorized and directed, prior to audit or settlement by the General Accounting Office, to make transfers to and from the Federal Unemployment Reinsurance Account and the account of any State in the Unemployment Trust Fund in accordance with certifications made by the Board pursuant to section 1201, not exceeding the amount on deposit in the Federal Unemployment Reinsurance Account at the time of such transfer.

"(h) There is hereby authorized to be appropriated to a Federal Unemployment Reinsurance Account in the Unemployment Trust Fund a sum equal to the excess of taxes collected prior to July 1, 1943, under title IX of this Act and under the Federal Unemployment Tax Act over the total unemployment administrative expenditures made prior to July 1, 1943; and there is hereby authorized to be appropriated to such account for the fiscal year 1945 and for each fiscal year thereafter (1) a sum equal to any excess of taxes collected in the preceding fiscal year under the Federal Unemployment Tax Act over the unemployment administrative expenditures made in such year, and (2) such further sums, if any, as may be necessary to carry out the purposes of section 1201. As used in this subsection, the term 'unemployment administrative expenditures' means expenditures for grants under title III of this Act, for the administration of that title by the Board, and for the administration of title IX of this Act and of the Federal Unemployment Tax Act by the Department of the Treasury and the Board. For the purposes of this subsection there shall be deducted from the total amount of taxes collected prior to July 1, 1943 under title IX of this Act, the sum of $40,561,886.43 which was authorized to be appropriated by the Act of August 24, 1937 (50 Stat. 754)."

SEC. 5. The Social Security Act, as amended, is further amended by adding at the end thereof the following new title:

"TITLE XII—REINSURANCE OF STATE UNEMPLOYMENT FUNDS

"SEC. 1201. (a) In the event that the balance in the unemployment fund of a State on June 30, 1945, or on the last day in any ensuing calendar quarter, does not exceed a sum equal to the total contributions collected under the unemployment compensation law of the State during the calendar year immediately preceding such day, the State shall be entitled, subject to the provisions of subsections (b) and (c) hereof, to have transferred from the Federal Unemployment Reinsurance Account to its account in the Unemployment Trust Fund an amount equal to the unemployment compensation paid out by it in the calendar quarter following such day, which is in excess of 2.7 per centum of the total wages, paid during such quarter, subject to State law.

"(b) The Social Security Board is authorized and directed, on application of a State agency, to make findings as to whether the conditions for the transfer of moneys provided for in subsection (a) hereof have been met; and if such conditions exist, the Board is directed to certify to the Secretary of the Treasury, from time to time, the amounts for transfer in order to carry out the purposes of this title, reduced or increased as the case may be, by any sum by which the Board finds that the amounts transferred for any prior quarter were greater or less than the amounts to which the State was entitled for such quarter. The application of a State agency shall be made on such forms, and contain such information and data, fiscal and otherwise, concerning the operation and administration of the State law, as the Board deems necessary or relevant to the performance of its duties hereunder.

"(c) In determining the amount to be certified for transfer, under this section, to the unemployment fund of a State the Board shall not take account of so much of any unemployment compensation paid by a State to an individual (including allowances, if any, paid to or on account of his dependents) as is—

"(1) in excess of an amount equal to compensation for thirty-six weeks of total unemployment in a benefit year; or

"(2) in excess of a weekly rate of $30."

SEC. 6. Sections 3, 4, and 5 of this Act, and the amendments made thereby, shall cease to be effective at the end of the second full calendar year after the termination of hostilities in the present war as declared by Presidential proclamation or concurrent resolution of the Congress.

Briefly stated, this bill (Federal Unemployment Reinsurance Act)—

(*a*) Amends the Federal Unemployment Tax Act to cover employers of one or more workers, instead of eight or more.

(*b*) Makes it a condition of approval of a State unemployment compensation law (and, therefore, a condition of obtaining a credit against the Federal tax and obtaining Federal funds to support the State law) that such law provide compensation for a minimum of 26 weeks of total unemployment within a benefit year and provide that the maximum rate of compensation shall not be less than $25 for a week of total unemployment.

(c) Sets up a separate reinsurance account in the Federal unemployment trust fund and authorizes appropriations to that account in an amount equal to the excess net tax receipts under the Federal unemployment tax collections over the aggregate of administrative grants to States under title 3 of the Social Security Act and the expenses of the Social Security Board and the Bureau of Internal Revenue in administering titles III and IX of the Social Security Act and the Federal Unemployment Tax Act. It also authorizes appropriation of such additional funds as may be necessary to make good the Federal guaranty provided therein. When the unemployment funds of a State are less than the amounts collected during the preceding calendar year the State shall be entitled to have transferred from the reinsurance account to its account in the unemployment trust fund an amount equal to the unemployment compensation paid by the State in a calendar quarter in excess of 2.7 percent of the wages taxable in the quarter under State law.

The Social Security Board would certify to the Secretary of the Treasury the amounts to which a State is entitled and the Secretary of the Treasury would make the appropriate transfer to the moneys to the account of the State in the unemployment trust fund.

(d) Would not require the Federal Government to underwrite State unemployment compensation payments when they are for weeks in excess of 36 weeks of total unemployment in a benefit year, or in excess of a weekly rate of $30.

(e) Excepting the amendment to the Unemployment Tax Act relating to coverage of employers of one or more, would cease to be effective at the end of the third full calendar year after the termination of hostilities.

Senator VANDENBERG. Are you prepared to recommend a figure in respect to appropriate unemployment compensation rate and the period of time it should run?

Mr. BYRNES. Do you mean the benefits?

Senator VANDENBERG. Yes.

Mr. BYRNES. Well, I think it ought to be limited. I understood this bill was specifically limited to 2 years, isn't it?

Senator VANDENBERG. No. I mean, are you prepared to recommend a rate?

Mr. BYRNES. Well, I think in this standard you fixed it at 26 weeks.

Senator VANDENBERG. At what rate?

Mr. BYRNES. No; I would not, I would only put that maximum, I think I would follow as the drafter of this bill was following, the idea of leaving to the States the determination of the eacxt amount in each State; that you would interfere as little as possible with the provisions of the States. If a State says it would pay up to 50 percent of the earnings of the man, that you would not interfere with them, I believe it is going to be hard to get the support of the States for any Federal supplemental plan, or any kind of plan. I know their reasons, they fear that if, in the event the Federal Government now comes into the picture, that they might not leave the picture. I know that they are sincere in their thinking.

Therefore, I think in this bill we should try to interfere as little as possible with the provisions of the State law.

I think the drafters have done a very good job in that respect. If you limit it to 2 years and we can give to them the assurance that it is affirmative action, then we have a starting point.

What is the alternative to this suggestion? I cannot think of one. If anyone has got a better one, I would like to know it.

The States have that machinery; it is the only machinery that could be put in operation immediately, and notwithstanding this specific provision that it is limited to 2 years, you would have a chance to get a representative committee and if we do not do it, and my mind goes back to what happened in 1930, as I recall it, when we got Nation-wide unemployment, and there were lots of us who

believed the States should handle it, and we submitted requests to the States.

But as the unemployment increased, there came from the States a demand that the Federal Government take charge of the problem. The very men who today say that they do not want the Federal Government to interfere have reason for thinking it. There is so much employment that nobody is bothered. But let unemployment come and let people go to doors and ring the bell and ask for relief, they will go to the telegraph office and telegraph to the Senators and Congressmen to save the situation, to do something about it.

And in the absence of anything, and with millions of people unemployed, they would have even a stronger case than they had back in 1930. I fear that there would be demands for activities that would not be wise.

Senator VANDENBERG. I agree with you completely, that you cannot interfere with the States in the amount of compensation because the States will rebel if you try that.

I think you misunderstood my question when I asked you whether you had come to any conclusion in your own mind as to what would be a fair rate of compensation, and over what period.

Mr. BYRNES. I thought 26 weeks, and then the provision that the maximum of any State should not be less than $25, as fair. Now since reading the conference report on the other bill, I don't think you can do that. Therefore, I say $20.

Senator VANDENBERG. So your answer is $20 for 26 weeks?

Mr. BYRNES. Yes.

Senator GEORGE. Twenty-six weeks in a benefit year?

Mr. BYRNES. Yes, I am afraid that when a veteran's benefit is fixed at $20—if you put it at what I think it should be, and even have suggested that we do it—to write into the bill, if that suggestion is allowed, you will have a terrible time explaining to that veteran——

Senator GEORGE. It is incomprehensible that we would allow that situation, where a civilian worker would get a greater benefit than a returning veteran.

Mr. BYRNES. It cannot be done. This G. I. bill gives discharge pay, and it gives 2 years in theory, as I understand it, and gives other things, you got a bad job but, in the first place, it cannot be done, it would not be fair.

Senator MURRAY. We have several members of the Senate Subcommittee on Post-war Policy and Planning here. I would like to have them ask any questions they have.

Do you have any, Senator George?

Senator GEORGE. I don't think I have any.

Senator AUSTIN. I would like to identify a paragraph in the bill marked S. 1730 to which your last testimony refers. Does it refer to the $30 guarantee in 5 (a), which appears on page 17, where the amount is left blank, and a certain number of weeks is left blank. Do you have the bill before you?

Mr. BRYNES. Yes, Senator.

Senator AUSTIN. Well, there is a clause there, beginning at line 11, the compensation for total unemployment, including any allowance, and so forth, shall be computed at rates which the said Unemployment Compensation Committee may certify, averaging not less than (blank) percent of the previous wages.

Is it there where the first limit should appear, $20, at the end, or the paragraph marked (a), beginning at line 18, compensation shall not be denied to any individual by reason of the exhaustion or cancelation of his benefit rate until he has been paid an amount equal to compensation of (blank) weeks—there?

Mr. BYRNES. Yes.

Senator AUSTIN. You would put in the 26?

Mr. BYRNES. Yes, that is right.

Senator AUSTIN. All right.

Mr. BYRNES. May I say to you I see now here my previous statement. It was possible I misunderstood—I saw the previous draft of this bill.

Senator GEORGE. The previous draft contains the figures.

Mr. BYRNES. The previous draft contains the figures, but I was discussing those figures and not the language to which Senator Austin has called my attention, which did leave the amount blank.

Senator VANDENBERG. As I understand you, you consider that it is absolutely indispensable that we should proceed to conclude the legislation with respect to contract termination and plant clearance which has passed the Senate and is pending in the House, we should proceed with, and we should conclude it, regardless of any of these other things, that is the first job, and it must be done at once.

Mr. BYRNES. That is the most important job we have. I cannot emphasize it too strongly. I have spent so much time up here that I do not like to complain about delays in Congress, because when you have got 500 men, you have 500 minds, you are going to have a difference of opinion. But the situation is, in these departments, the failure of the Congress to act upon that bill, to put a brake upon the whole machinery, it is an effective brake in some instances, and in some instances it is just because the men say, "Well, there is not any use going on with that until Congress acts."

Therefore, it is limping along. Now, I can refer to the fact that in the War Department 1,400-some contracts in the month of April were authorized to be terminated but in every instance the man in the field has no facts as to what the policy is going to be. He is doubtful as to whether he is proceeding in a way that this bill may not next week determine to be wrong, consequently, it is of the first importance that something be done.

There has been much talk about one case, the Brewster case last week, that was not a typical case. When I read the discussions of the case, I am glad to say that it was not a typical case. As I have outlined in this statement, months ago the Army went to work on the preparation of its plans for the cancelation, and the detailed planning is, as I said in the statement, truly amazing. Now the Army, of course, has the big job of cancelation. The Navy has not. The Brewster case was the first, according to the officials of the Navy whom I turned to for information about it, it was the first large cancelation. The Navy, I think, was absolutely justified in the cancelation of the contract; they were not justified in canceling it without greater notice to the Long Island plants, but it was not due to any lack of policy on it, because, in my opinion the difficulty, that failure, was due to this fact.

We knew about the 15th of May, notice was given to Mr. Kaiser by the officials that it would probably happen, and later to management there was given a notice that within 30 days it would be canceled.

That was following the general policy of the War Department, which has been followed in the War Department in the cancelation of many contracts where there are eight or ten thousand men put out of employment in the manner I have indicated, and where it has been properly explained, and ample notice given we have not heard a thing about it. But when the Navy canceled the Brewster contract and gave 30 days' notice, they overlooked in their first cancelation this very important fact, that in Pennsylvania, Johnsville, there was an assembly plant that had about 4,000 men; over here in Long Island, where they make the parts, there were about 9,000. Those Long Island plants were going ahead with their work, they had on hand parts that had to be brought over here to Johnsville to be assembled. It would take 30 days to assemble those parts.

Therefore, unless they stopped the Long Island plants promptly, they would have so many parts being turned out there it would have run for 60 days over in Johnsville.

When you gave Johnsville 30 days' notice, you cut these people off without any notice over there.

When I had gotten together the representatives of the Department, I came to the conclusion that that was the real trouble with the cancelation. But it was an unusual and not a typical case. I directed the holding of a meeting of this Contract Termination Board, because I had advised the chairman of that committee here that I wanted to find out the facts on what the Army and Navy had to say.

I learned that W. P. B. did know of the intended cancelations, the tentative cancelation, and they have made some efforts, I was told by the chairman, to see if they could get the Ordnance Department to use the plants, when they found that there was not sufficient notice given to these 9,000 people over here, but they were unsuccessful. I called them together and then I directed them to endeavor to see if it could be used for other purposes, because we had not given those 9,000 people in the Long Island plants the notice that the other people had gotten and that, under the policy adopted, all people will get.

Therefore, we ought to have done something. I sent a letter to all of the agencies confirming my oral direction at that meeting, and I should like to put a copy in the record.

(The letter referred to is on file with the committee.)

Mr. BYRNES. I directed the procurement agencies to take prompt action to clear every proposed contract cut-back and we set up the policy that in such contract terminations cut-backs shall not be made effective until such clearances are obtained. That is a policy that the committee was established for, and which is entirely suited to our procurement agencies, and it means only this, that in the procedure that I have outlined, a clear statement of that procedure is given so that this committee—Mr. Wilson is chairman, and representatives of the procurement agencies, Manpower and the Smaller War Plants are on it, they know of the tentative discussion in the industry as a whole over in the Army, and they know of the specific determinations of these contracts.

And then, in accordance with the other portion of this letter, they canvass the Government agencies, to see if there is any other use for them, for war purposes for for governmental purposes. And in addition, that they should not clear it until this notice that I have described has been given to both labor and to management.

Now as a result of my investigation I learned what I had assumed, that after the original informal discussion when they sent the formal notice, they required that it be placed on the bulletin board, they required that it be explained to labor. They advised labor the probable time when it will be done, and when they have done that, they have had no trouble. I do not think that the W. P. B. or the Army could be expected to do more than carry out that policy. Whenever it fails, it is the failure of administration.

Senator VANDENBERG. Well, what I was getting at, Mr. Byrnes, is this: No matter how successful your organization administratively may be, to reconvert the Congress is called upon to take steps of a fundamental legislative nature before there can be any adequate reconversion program, recess or no recess. That is immediate, instant, and unavoidable for the Congress, is it not?

Mr. BYRNES. I appreciate your stating it in so forceful a manner, because I would think it an awful thing if Congress, before it recessed, did not pass that bill. It would be a responsibility that I do not think the Congress should take, because the contract, the armed services can say we have all the machinery that I have described to complete the job, they are waiting for the policy to be determined by the Congress, and I don't think any quarrel between any officer of the Government, Comptroller General or anybody else and the Congress, should hold this up. It ought to be settled, one way or the other.

Senator VANDENBERG. Thank you. That is all I want to find out. I think it applies, not only to S. 1718, but also in some amount to S. 1780.

Mr. BYRNES. I think that too is correct, because there is a tendency, a mistaken tendency, I think, to believe that the contract termination bill is a help to the contractor, and that something should be done at the same time to relieve the distress that follows unemployment, and I think it would be a great help if Congress could find it possible to act. But, as I said before, I am not an optimist about that.

Your bill, I see no reason why it should not be put through.

Senator GEORGE. If we get after that, and it passed the Senate, there would be some assurance that it would have prompt action.

Mr. BYRNES. Yes. I must say that as to the surplus property bill, I have turned over to representatives of the executive department who are on the Policy Board Committee, Mr. Clayton, they have conferred with the representatives of your committee here and the drafting members, who have, in my opinion, been doing a splendid job, they have ironed out a lot of the details so that the bill you have for disposition of surplus property has the approval of all the agencies involved, and of the Surplus Property Administrator. I understand from him that you are considering holding a joint meeting on Friday of this week.

Senator GEORGE. That is correct.

Mr. BYRNES. Because of the character of the bill I had hoped that that might be put through. The Administrator has caused the country to be divided up into regions in order to permit a report as to surplus property. He has gone ahead with the details as far as he can. But again there are matters of such importance which are matters of policy that, in the absence of action by the Congress, they are really terribly handicapped.

If the Congress could make some progress on that bill, it would be a great help.

Senator LUCAS. How many contracts have been terminated up to date?

Mr. BYRNES. I cannot tell you the exact number, but there are more in the month of May. When you get the figures—I have not got the figures for the month of May, but I have for April, and in that month, 1,450. I saw it here the other day, but the figures have gone out of my mind.

Senator MURRAY. I understand it is somewhere in the neighborhood of $14,000,000,000.

Mr. BYRNES. In dollars.

Senator MURRAY. 14,000 contracts.

Senator LUCAS. Now those are being terminated under Executive orders?

Mr. BYRNES. Yes.

Senator LUCAS. What portion of those terminated contracts are being reconverted to either civilian or other war work?

Mr. BYRNES. They are shifting, as I said, to other war work.

Senator LUCAS. Pending the termination of contracts?

Mr. BYRNES. Returning to civilian production.

Senator LUCAS. Yes; they have continued, even though you do not have this legislation. The W. P. B. and other agencies are not going to await this legislation.

Mr. BYRNES. No.

Senator LUCAS. In terminating contracts.

Mr. BYRNES. I would say in April, 1,450. I have described what happened with them because we agreed it was quite significant that when we were discussing——

Senator LUCAS. I appreciate the necessity for Congress laying down the broad policy but the fact that Congress does not act will not keep the war agencies from a continuation of the termination of these contracts, and reconverting them, as they have done in the past.

Mr. BYRNES. Yes, sir; just about what they have done in the past, but that has not been satisfactory, and here is the reason, that there are lots of provisions in that bill that you pass which gives to the armed services authority that is essential to induce termination. The armed services have even issued a poster, a little pamphlet with pictures—I think General Somerville prepared that, which gives to the contractor information as to where he should go to start termination, and it is a pictorial story of the cancelation of a contract, because it is difficult for the contractor to know. It involves the small contractor. I understand that the bill has been reported out of the Rules Committee in the House. I don't know whether that is correct or not.

Senator GEORGE. That is right. They have given a rule. They hope to take it up this week.

Mr. BYRNES. I would like to ask, Mr. Chairman, in the course of this social security discussion, if I could leave with the committee the letters to me from General Hines and Mr. Altmeyer with the suggestions?

That may be of some help.

(The letters referred to are as follows:)

FEDERAL SECURITY AGENCY,
SOCIAL SECURITY BOARD,
Washington, D. C., June 2, 1944.

The Honorable JAMES F. BYRNES,
Director of War Mobilization,
The White House, Washington 25, D. C.

DEAR JUSTICE BYRNES: This is in answer to your request for data on the inadequacy of the benefit and financial provisions of the State unemployment compensation laws. The major weaknesses of existing State laws are the limited duration of benefits, the low maximum weekly benefit amounts, limited coverage, unduly restrictive disqualifications, and a failure to distribute over the country the excessive financial burden which will fall on certain States in the post-war period.

The most serious inadequacy of State unemployment compensation laws is the limited period during which benefits can be drawn. In some States an unemployed person can draw only 2 or 3 weeks of benefits. Even in the rather good year 1941, for the country as a whole, one-half of all claimants were still unemployed when they had exhausted their benefit rights. In 36 States over 40 percent of the beneficiaries used up all their benefits; in 3 States over 60 percent exhausted all rights. Many workers remained unemployed for long periods after exhausting their benefits. In many States a consistently high proportion of workers have exhausted all their benefit rights in recent years. In Texas, for example, 66 percent of the beneficiaries exhausted all benefits during 1940–41.

Duration of benefits is limited not only by the generally low maximum number of weeks for which benefits can be drawn, but also by an additional limitation of benefits to a fraction of a worker's annual earnings. As a result of these limitations, the average maximum period for which workers could be eligible in 1940 was less than 12 weeks in 9 States, including such States as Texas, New Jersey, and Connecticut. Changes have been made in duration provisions since 1941; still the picture is one of inadequacy. Some States, such as Texas, have made no changes in duration of benefits. At the present time benefits are limited to a maximum of 16 weeks or less in 28 States.

The average weekly benefits of about $12.60 for 1942 and $13.80 for 1943 was only about one-third of the average weekly wage. The inadequacy of the weekly benefit amount is primarily due to the low maximums provided under the State laws. In 22 States no worker can receive more than $15 a week in unemployment compensation, regardless of his previous wages. This maximum, and even the highest maximum weekly benefit amount in any State ($22), automatically limits all better-paid workers to less than 50 percent of their wages. This situation is in sharp contrast to the situation under State workmen's accident compensation laws. A comparison with those laws indicates that 32 States pay higher rates for accident compensation than for unemployment compensation.

Even liberal benefit provisions can be nullified by disqualifications which deny access to benefits. There is an unmistakable trend toward more severe penalties for disqualification. The function of disqualifications is shifting from limiting benefits to workers unemployed through no fault of their own to limiting payments to cases where the employer is at fault. For example, a worker may have good personal cause for leaving a particular job. In 1938, good personal cause would justify a quit and permit a worker to draw benefits in all but 4 States. At the present time, however, 20 States limit good cause for voluntary leaving to "good cause attributable to the employer."

There is also an increasing tendency to cancel outright the benefit rights which would have been available during the period of disqualification or to cancel all benefit rights resulting from the employment which terminated under a disqualifying condition instead of temporarily disqualifying a worker. In 1938, there were 8 State laws which reduced or canceled benefit rights for 1 or more disqualifying acts; in 1940 there were 14; in 1944, the number of such States has increased to 28.

Another major weakness of unemployment compensation is its limited coverage. Only 13 States cover employers of one or more workers. If coverage for unemployment compensation were made the same as for old-age and survivors' insurance, some 3,000,000 persons would be added under the unemployment compensation program. Nearly 200,000 merchant seamen covered for old-age insurance still lack protection against unemployment which many of them are likely to suffer in the post-war period. Another major group of workers who have no unemployment compensation protection are 2,000,000 wartime workers in the Federal Government, mostly working in arsenals, depots, and navy yards.

One of the anomalies of the present system is that benefits are especially inadequate in many States with relatively large reserves. For example, in Oregon, whose law contains one of the most restrictive duration provisions in the country, the reserve fund at the end of 1943 was large enough to pay benefits at the maximum duration in that State to 85 percent of the covered workers employed at the end of September 1943. North Carolina's reserve is large enough to pay benefits to 88 percent of the workers employed at the end of September 1943, yet the average weekly benefit amount in this State ($7.10 in 1943) has for a number of years been the lowest in any State. In other States, in which the reserve funds are relatively less adequate, contributions which would otherwise enable payment of more adequate benefits are being lost because of experience rating. In Michigan, for example, the estimated average contribution rate during 1943 was only 1.6 percent of taxable pay rolls.

We have at the present time a grand total of over $5,000,000,000 in the State unemployment compensation reserve funds. These reserves will probably be considerably greater before the end of the war. It would cost $5,000,000,000 to provide unemployment benefits at $20 a week for an average of 20 weeks for 12,500,000 unemployed workers. Therefore, it might appear at first glance that our total reserves would be more than sufficient to provide fairly adequate benefits during the post-war transition period. However, it must be emphasized that this is not a single pooled fund and that the probable drain on the 52 separate reserves will vary greatly. Richard A. Lester, an economist employed by the Committee for Economic Development, has estimated that between one-third and one-half of the total reserves are completely sterile in the sense that that portion would not be used even if 12,500,000 workers became unemployed and drew all the benefits to which they were entitled under present laws. That is to say, because of the fact that unemployment varies widely from State to State and because of limitations on the amount of benefits payable to individuals, many States will have untapped reserves although other States may have completely exhausted their reserves and ceased to pay benefits. Calculations made on various economic assumptions indicate that from 38 percent to 65 percent of the total reserves will still be unused when the first States become insolvent.

In 1940, $518,000,000 was paid out in unemployment benefits. However, Prof. Sumner Slichter, an eminent Harvard economist and consultant to the Committee for Economic Development, has estimated that the wage loss during that years was $7,000,000,000, so that only 7 percent of the actual wage loss was offset. Mr. Lester estimates that if there is no change in present provisions, unemployment compensation payments would not compensate for more than 10 percent of the wage loss from unemployment during the post-war transition period.

The New York Joint Legislative Committee on Industrial and Labor Conditions made a special study of unemployment compensation, issued in 1943, which included a field survey covering 11 States across the country, and reached the conclusion in its report that "the benefit provisions of the State laws cannot be said to be adequate to meet fully the needs that will arise if unemployment succeeds the cessation of hostilities. * * * It does not seem possible that in the remaining time [before the war ends] most State unemployment compensation laws will be sufficiently extended and improved to intensify sufficiently the degree of protection against wide-spread unemployment. The search for a solution to the problem must, therefore, proceed in other directions."

I am attaching three tables which I hope will be of value. If you wish any additional information, please let me know.

Sincerely yours,

A. J. ALTMEYER, *Chairman.*

Number of States having specific provisions in State unemployment compensation laws

	January 1940	January 1944
Coverage of employers of 1 or more employees	11	13
Maximum weekly benefit $15	42	22
Maximum duration of benefits 16 weeks or less	42	28
Benefit rights canceled or reduced for voluntary leaving, misconduct, or refusal of suitable work	14	27

Significant provisions of State unemployment compensation laws, June 1, 1944

Prepared for ready reference and comparison purposes. Because of the impossibility of giving qualifications and alternatives in brief summary form, the State law and State employment security agency should be consulted for authoritative information. In general, the State laws cover employment in most types of business and industry, except employment for railroads which is covered by a separate Federal law]

State and type of fund[1]	Size of firms covered (number of employees)	Eligibility	Weeks of initial waiting period	Weekly benefit rate total unemployment	Maximum payment per week	Minimum payment per week	Weekly benefit rate partial unemployment	Duration in 52-week period (lesser amount below applies)	
								Total amount of benefits (proportion of wages)	Maximum number of weeks payable
Alabama: Pooled; experience rating effective April 1941; employee contributions determined by experience rating.	Employer of 8 or more in 20 weeks.	30 times w. b. a. including $39.01 in 1 quarter.[3]	1	1/26 of high quarter's wages, established by table in law.	$15	$2	W. b. a. less wages in excess of $2.[2]	1/3 in 4 quarters	20
Alaska: Pooled	do	25 times w. b. a	2	1/20 of high quarter's wages.	16	5	W. b. a. less wages in excess of $5.	do	16
Arizona: Pooled; experience rating effective January 1942.	Employer of 3 or more in 20 weeks; also all employers liable to Federal tax.	14 times w. b. a	1	50 percent of full-time weekly wage.	15	5	W. b. a. less wages in excess of $3.	1/6 in 8 to 12 quarters	14
Arkansas: Pooled; experience rating effective April 1942.	Employer of 1 or more in 10 days.	22 times w. b. a	1	1/26 of high quarter's wages.	15	3	do	1/3 in 4 quarters	16
California: Pooled; experience rating effective January 1941; employee contributions 1 percent of wages up to $3.000 not to exceed 50 percent of employer's general rate.	Employer of 4 or more in 20 weeks.	$300	2	1/20 of high quarter's wages, established by table in law.	20	10	do	23 to 54 percent in 4 quarters, according to schedule of wage classes.	
Colorado: Pooled; experience rating effective January 1942.	Employer of 8 or more in 20 weeks.	30 times w. b. a	2	1/25 of high quarter's wages.	15	5	do	1/3 in 4 quarters	16
Connecticut: Pooled; experience rating effective April 1941.	Employer of 4 or more in 13 weeks; also all employers liable to Federal tax.	$144	1	Established by weighted table in law.	[4] 22	6	W. b. a. less wages, plus $2.	20 percent in 4 quarters, according to schedule of wage classes.[3]	[4] 18
Delaware: Pooled; experience rating effective January 1942.	Employer of 1 or more in 20 weeks; also all employers liable to Federal tax.	$200	1	1/25 of high quarter's wages.	18	5	W. b. a. less wages in excess of $2.	10 times w. b. a. plus 1 w. b. a. for each $200 in base-period wages.	20
District of Columbia: Pooled; experience rating effective July 1943.	Employer of 1 or more at any time.	Lesser of 25 times w. b. a. or $250.	1	1/23 of high quarter's wages, established by table in law, plus allowance for dependents up to maximum of $20.	20	6	W. b. a. less wages in excess of 40 percent of w. b. a.	1/2 in 4 quarters	2
Florida: Pooled; experience rating effective January 1942.	Employer of 8 or more in 20 weeks; also all employers liable to Federal tax; also employer with a $5,000 quarterly pay roll.	30 times w. b. a	1	Established by weighted table in law.	15	5	W. b. a. less wages in excess of $2.	1/4 in 4 quarters	16
Georgia: Pooled; experience rating effective January 1942.	Employer of 8 or more in 20 weeks; also all employers liable to Federal tax.	Schedule requiring 25, 30, and 40 times w. b. a.	2	do	18	4	W. b. a. less wages in excess of $3.	Uniform duration	[5] 16
Hawaii: Pooled; experience rating effective April 1941.	Employer of 1 or more at any time.	30 times w. b. a	1	1/25 of high quarter's wages, established by table in law.	20	5	W. b. a. less wages	do	[5] 20
Idaho: Pooled; experience rating effective July 1943.	Employer with $78 or more wages payable in 1 quarter.	Schedule requiring 28 to 52 times w. b. a. including $78 earned in 1 quarter.	2	Established by weighted table in law.	18	5	W. b. a. less wages in excess of 1/2 w. b. a. or $5.	1/4 in 4 quarters	17
Illinois: Pooled; experience rating effective January 1943.	Employer of 6 or more in 20 weeks.	$225	1	1/20 of high quarter's wages.	[6] 18	7	W. b. a. less wages in excess of $2.00.[7]	26 to 49 percent according to schedule of wage classes.	20
Indiana: Contributions of 0.135 percent of employer's pay roll pooled; remainder in employer reserves; experience rating effective January 1940.	Employer of 8 or more in 20 weeks.	$250, and $150 in the last 2 quarters of base period.	1	1/25 of high quarter's wages.	18	5	W. b. a. less wages.[7]	1/4 in 4 quarters	18
Iowa: Pooled; experience rating effective January 1942.	Employer of 8 or more in 15 weeks; also all employers liable to Federal tax.	15 times w. b. a	2	50 percent of full-time weekly wage.	15	[8] $5	W. b. a. less wages, plus $2.	1/6 in 8 quarters	15
Kansas: Pooled; experience rating effective January 1941.	Employer of 8 or more in 20 weeks.	$200, or $100 in 2 quarters.	1	1/25 of high quarter's wages.	15	5	do	1/3 in 4 quarters	16
Kentucky: Employer reserve; earnings from investment pooled; experience rating effective January 1941.	Employer of 4 or more in 3 quarters of preceding year, to each of whom $50 payable in each such quarter, or of 8 or more in 20 weeks.	$200	1	Based on schedule of annual wages.	16	5	1-week benefit rate for unemployment less 80 percent of earnings in a 1-week period.	Uniform duration	[9] 20

See footnotes at end of table

Significant provisions of State unemployment compensation laws, June 1, 1944—Continued

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State and type of fund [1]	Size of firms covered (number of employees)	Eligibility	Weeks of initial waiting period	Weekly benefit rate total unemployment	Maximum payment per week	Minimum payment per week	Weekly benefit rate partial unemployment	Duration in 52-week period (lesser amount below applies)	
								Total amount of benefits (proportion of wages)	Maximum number of weeks payable
Louisiana: Pooled	Employer of 4 or more in 20 weeks.	20 times w. b. a.	2	50 percent of full-time weekly wage.	18	3	W. b. a. less wages in excess of $2.	¼ in 4 quarters	20
Maine: Pooled; experience rating effective July 1943.	Employer of 8 or more in 20 weeks; also all employers liable to Federal tax.	$144	1	Based on schedule of annual wages.	18	6	W. b. a. less wages in excess of from $2.50 to $2.99 (in accordance with table).	Uniform duration [10]	[5] [10] 16
Maryland: Pooled; experience rating effective July 1943.	Employer of 4 or more in 20 weeks; also all employers liable to Federal tax.	30 times w. b. a.	1	1/20 of high quarter's wages, established by table in law.	20	7	W. b. a. less wages in excess of $2.	¼ in 4 quarters	23
Massachusetts: Pooled; experience rating effective January 1942.	Employer of 1 or more in 20 weeks; also all employers liable to Federal tax.	$150	1	do	18	6	W. b. a. less wages	30 percent in 4 quarters.	20
Michigan: Pooled; experience rating effective January 1942.	Employer of 8 or more in 20 weeks; also all employers liable to Federal tax.	$250 including wages in 2 different quarters.	1	1/20 of high quarter's wages.	20	10	W. b. a. minus lesser of 75 percent of wages earned or wages in excess of $3.	¼ in 4 quarters [11]	20
Minnesota: Pooled; experience rating effective January 1941.	Employer of 1 or more in 20 weeks (of 8 or more outside cities with population of 10,000 or more); also all employers liable to Federal tax.	$200	2	Based on schedule of annual wages.	20	7	W. b. a. less wages in excess of $3.	17 to 35 percent in 4 quarters, according to schedule of wage classes.	[10] 16
Mississippi: Pooled	Employer of 8 or more in 20 weeks; also all employers liable to Federal tax.	30 times w. b. a.	2	1/26 of high quarter's wages.	15	3	W. b. a. less wages in excess of $2.	Uniform duration	[5] 14
Missouri: Pooled; experience rating effective January 1942.	do	40 times w. b. a. including wages in 3 different quarters.	1	1/25 of high quarter's wages.	18	3	W. b. a. less 5/6 of wages.	20 percent in 8 quarters.	16
Montana: Pooled	Employer of 1 or more in 20 weeks, or with year's pay roll over $500.	$150	2	do	15	5	No provision [12]	Uniform duration	[5] 16
Nebraska: Employer reserve; earnings in pooled account; experience rating effective January 1940.	Employer of 8 or more in 20 weeks; also all employers liable to Federal tax.	$200	2	do	15	5	W. b. a. less wages in excess of $3.	⅓ in 4 quarters	16
Nevada: Pooled; experience rating effective January 1945.	Employer with $225 or more wages payable in 1 quarter.	Greater of $200 or twice w. b. a. multiplied by itself including wages of 5 times w. b. a. in some quarter other than highest.	2	1/20 of high quarter's wages.	15	5	do	do	18
New Hampshire: Pooled; experience rating effective January 1941.	Employer of 4 or more in 20 weeks; also all employers liable to Federal tax.	$200	1	Based on schedule of annual wages.	[13] 18	6	W. b. a. less wages in excess of $2.	Uniform duration	[13] 18
New Jersey: Pooled; experience rating effective January 1942; employee contribution 1 percent of wages up to $3,000.	Employer of 8 or more in 20 weeks.	$150	1	1/22 of high quarter's wages.	18	7	W. b. a. less wages in excess of $3.	1/5 in 4 quarters	18
New Mexico: Pooled; experience rating effective January 1942.	Employer with $450 or more wages paid in 1 quarter, or employer of 2 or more in 13 weeks.	30 times w. b. a. including $78 in 1 calendar quarter.	1	1/26 of high quarter's wages, established by table in law.	15	5	do	⅓ in 4 quarters	16
New York: Pooled	Employer of 4 or more in 15 days.	25 times w. b. a. [14]	[15] 2	1/23 of high quarter's wages, established by table in law. [14]	[14] 18	[14] 10	No provision. [14]	Uniform duration. [14]	[5] [14] 20
North Carolina: 9/10 contributions to employer reserve; remainder pooled; experience rating effective January 1943.	Employer of 8 or more in 20 weeks; also all employers liable to Federal tax.	$130	1	Based on schedule of annual wages.	15	3	W. b. a. less 5/6 of wages.	Uniform duration	[5] 16
North Dakota: Pooled; experience rating effective January 1942.	do	30 times w. b. a.	1	1/26 of high quarter's wages, established by table in law.	15	5	W. b. a. less wages in excess of $3.	do	[5] 16
Ohio: Pooled; experience rating effective January 1942.	Employer of 3 or more at any one time.	20 weeks' employment and $160.	2	Established by weighted table in law.	16	5	W. b. a less wages in excess of $2.	do	[5] 18

See footnotes at end of table.

Significant provisions of State unemployment compensation laws, June 1, 1944—Continued

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State and type of fund [1]	Size of firms covered (number of employees)	Eligibility	Weeks of initial waiting period	Weekly benefit rate total unemployment	Maximum payment per week	Minimum payment per week	Weekly benefit rate partial unemployment	Duration in 52-week period (lesser amount below applies)	
								Total amount of benefits (proportion of wages)	Maximum number of weeks payable
Oklahoma: Pooled; experience rating effective January 1942.	Employer of 8 or more in 20 weeks.	22 times w. b. a.	1	1/20 of high quarter's wages.	16	6	W. b, a less wages in excess of $2.	1/3 in 4 quarters	16
Oregon: Pooled; experience rating effective July 1941.	Employer of 4 or more in any 1 day in any calendar quarter with pay roll of $500.	$200	2	6 percent of high quarter's wages.	15	10	do	1/6 in 4 quarters	16 D
Pennsylvania: Pooled; experience rating effective January 1944.	Employer of 1 or more in 20 weeks.	$50 in each of 2 quarters in base year.	2	1/25 of high quarter's wages, established by table in law.	[16] 18	8.00	No provision	27 to 56 percent in 4 quarters, accordingt of schedule of wage classes.[17]	16
Rhode Island: Pooled; employee contributions 0.5 percent of wages up to $3,000.[18]	Employer of 4 or more in 20 weeks; also all employers liable to Federal tax.	$100	1	Established by weighted table in law.	18	6.75	W. b. a. less wages	20 to 34 percent in 4 quarters, according to schedule of wage classes.	
South Carolina: Pooled; experience rating effective January 1942.	Employer of 8 or more in 20 weeks.	40 times w. b. a. (30 times if w. b. a. is $4).	1	1/26 of high quarter's wages, established by table in law.	15	4.00	W. b. a. less wages in excess of $1.	Uniform duration	[5] 16
South Dakota: Employer reserve; earnings pooled; experience rating effective January 1940.	Employer of 8 or more in 20 weeks; also all employers liable to Federal tax.	$120	1	Based on schedule of annual wages.	15	7.00	W. b. a. less wages in exess of $2.	do [10]	[5] [10] 16
Tennessee: Pooled; experience rating effective July 1944.	Employer of 8 or more in 20 weeks.	30 times w. b. a. (25 times if w. b. a. is $5).	1	1/26 of high quarter's wages, established by table in law.[19]	15	5.00	W. b. a. less wages in excess of $3.	do	[5] 16
Texas: Pooled; experience rating effective January 1941.	do	8 times benefit rate for 2-week period.	1	1/13 of high quarter's wages (for 2-week period).	[2] 30	[20] 10.00	2-week benefit rate less wages, plus $4.	1/5 in 4 quarters	8 times benefit for 2-week period.
Utah: Pooled	Employer with $140 or more wages payable in 1 quarter.	30 times w. b. a.	1	1/20 of high quarter's wages.	20	5.00	W. b. a. less wages in excess of $3.	Uniform duration	[5] 20

Vermont: Pooled; experience rating effective January 1941.	Employer of 8 or more in 20 weeks; also all employers liable to Federal tax.	do	2	Established by weighted table in law.	15	6.00	do	do	[5] 18
Virginia: Pooled; experience rating effective January 1941.	Employer of 8 or more in 20 weeks.	25 times w. b. a.	1	1/25 of high quarter's wages, established by table in law.	15	4.00	W. b. a. less wages in excess of $2.	1/4 in 4 quarters	16
Washington: Pooled	Employer of 1 or more at any time.	$200	1	1/20 of high quarter's wages.	15	7.00	W. b. a. less wages in excess of $3.	1/5 in 4 quarters	16
West Virginia: Pooled; experience rating effective January 1941.	Employer of 8 or more in 20 weeks.	$250	1	Based on schedule of annual wages.	18	7.00	According to time lost on basis of schedule.	Uniform duration	[5] 16
Wisconsin: Employer reserve; earnings pooled; experience rating effective January 1938.	Employer of 6 or more in 18 weeks or annual pay roll of $6,000; also employer with a $10,000 quarterly pay roll.	14 weeks' employment.	2	Schedule of average weekly wage.	20	8.00	W. b. a. less wages	From any 1 employer's account, 1 week's benefit to each 2 weeks of employment not exceeding 40 weeks within 52 weeks preceding close of employment.	
Wyoming: Pooled; experience rating effective January 1942.	Employer of 1 or more in 20 weeks, and with $150 or more wages payable in 1 quarter.	25 times w. b. a. including $70 in 1 quarter.	2	1/20 of high quarter's wages.	20	7.00	W. b. a. less wages in excess of $3.	1/4 in 4 quarters	16

[1] Annual wages in excess of $3,000 per worker excluded from employer contributions except in Nevada.
[2] W. b. a.—abbreviation for "weekly benefit amount."
[3] Individual must have worked less than 160 hours and earned less than $120 during the 3 weeks preceding unemployment.
[4] Lower maximum rates and duration are provided when balance in the fund is less than 2 percent of the pay roll for 3 years ending with the base period for the benefit year.
[5] Uniform duration.
[6] $20 effective April 1, 1944.
[7] Partial benefits are reduced by 1/5 of w. b. a. for each normal work day during which the individual is unable to, or unavailable for, work. Also in Illinois an eligible individual
[8] Or full-time weekly wage.
[9] Effective June 13, 1944.
unemployed for 6 or less consecutive days, shall be paid benefits equal to 1/5 of the w. b. a. for each such day, less any wages payable during such period.
[10] Benefit duration for lower wage classes is less.
[11] Lesser of $200 or 30 percent of base period wages if such wages are less than $800.
[12] No partial benefits paid, but earnings not exceeding $5 are disregarded.
[13] $15 maximum w. b. a. and maximum duration of 16 weeks (7) if fund fails to equal or exceed $8,000,000 for 2 consecutive months.
[14] Benefits are paid for each accumulation of 4 "effective days." "Effective day" is defined as the 4th and every subsequent day of total unemployment in a week in which not more than $24 is paid to the individual.
[15] Actually, in accumulation of 8 "effective days." See footnote 11 above.
[16] $15 if fund equals less than 1½ times highest amount of benefits paid in any 12 consecutive months.
[17] 24 to 48 percent in 4 quarters if fund equals less than 1½ times highest amount of benefits paid in any 12 consecutive months, according to schedule of wage classes.
[18] Employees pay in addition 1 percent into cash sickness compensation fund.
[19] Rate is 1/20 and 1/25 of high quarter's wages for 2 lowest weekly benefit amounts ($5 and $6).
[20] For 2-week period.

Selected unemployment compensation data

[Corrected to Aug. 16, 1943]

State	Coverage		Benefits											Financing				
				Weekly benefit amount			Percentage distribution of payments for total unemployment, January–December 1942							Experience rating				
	Minimum size of firm coverage [1]	Workers with wage credits in 1942 (in thousands)	Eligibility requirement [2,3] (minimum earnings or multiple of weekly benefit amount)	Fraction of highest quarterly earnings	Minimum	Maximum	Less than $5	$5–$9.99	$10–$14.99	$15 and over	Maximum duration (uniform)	Average actual duration, claimants exhausting rights, benefit years ending in 1942	Exhaustion ratio for benefit years ending in 1942	Estimated average employer contribution rate, 1943 (40 States)	Percentage of rated employers with reduced rates, 1943 (40 States)	Percentage of rated employers with rates of less than 1 percent, 1943 (27 States)	Funds available as of June 30, 1943 (in thousands)	Date benefits first payable
All States		[4] 40,600					1.3	25.2	29.7	43.8				[5] 1.7	[5] 73.5	[6] 38.4	$4,007,524	
Alabama	8	736	$60 (30x, including $39.01 in 1 quarter).	1/26	$2	$15	10.3	45.8	24.9	19.0	20x	17.0	39.7	[7] 1.2	95.2	43.8	41,893	January 1938.
Alaska	8	35	$125 (25x)	1/20	5	16		8.4	12.8	78.8	16x	(8)	(8)	(9)	(9)	(9)	3,663	January 1939.
Arizona	3	183	[3] $70 (14x)	[10] 1/26	5	15		28.2	28.9	42.9	14x	9.8	44.6	2.3	55.7		10,189	January 1938.
Arkansas	1 to 10 days	403	$66 (22x)	1/26	3	15	20.0	53.0	17.6	9.4	16x	9.5	46.2	[7] 2.2	70.4		16,928	January 1939.
California	4	3,333	$300	1/20	10	20			40.0	60.0	23.4x	16.7	33.6	[7] 2.3	37.0		363,927	January 1938.
Colorado	8	331	$150 (30x)	[10] 1/25	5	15		41.5	30.3	28.2	16x	(11)	(11)	1.9	72.1	50.1	21,902	January 1939.
Connecticut	4 to 13 weeks	989	$144	Table	6	[12] 22		30.2	35.8	34.0	[12] 18x	10.4	22.5	[7] 2.1	85.5		105,463	January 1938.
Delaware	1	144	$200	1/25	5	18		57.3	23.6	16.1	20x	[13] 9.0	[13] 50.2	.9	96.8	75.0	11,663	January 1939.
District of Columbia	1 at any time	359	[14] $150 (25x)	1/23	6	20	.1	23.5	35.7	40.7	20x	(8)	(8)	(15)	(15)	(15)	36,898	January 1938.
Florida	8	691	$150 (30x)	Table	5	15	.1	42.4	32.9	24.6	16x	47.5	52.7	[7] 2.2	70.9		25,689	January 1939.
Georgia	8	806	$100 (table: 25x, 30x, and 40x, including wages in 2 quarters.	Table	4	18	9.9	54.8	17.6	17.7	*16x	[13] 14.0	[13] 46.2	[7] 2.1	80.4		45,537	Do.
Hawaii	1	205	$150 (30x)	1/25	5	20		47.5	23.6	28.9	*20x	15.7	14.1	[7] 1.7	97.6	34.0	12,988	Do.

Idaho	1 and $78 in 1 quarter.	[16] 178	$140 (table: 28–52x, including wages in 2 quarters, and at least $78 in 1 quarter).	Table	5	18			48.1	28.9	17x	12.2	33.3	(15)	(15)	(15)	7,916	September 1938.
Illinois	6	[16] 3,208	$225	1/20	7	18		12.3	31.9	55.8	20x	12.1	30.1	1.3	80.2	33.3	350,097	July 1939.
Indiana	8	1,233	$250 and $150 in last 2 quarters.	1/25	5	18	.2	18.1	32.8	48.9	18x	11.8	35.8	[7] 2.2	60.4	33.7	104,945	April 1938.
Iowa	8 in 15 weeks	[16] 504	(15x)	[10] 1/26	[17] 5	15	.6	41.4	27.7	30.3	15x	8.5	46.7	1.9	72.6	46.4	34,456	July 1938.
Kansas	8	362	$200 or $100 in 2 quarters.	1/25	5	15		37.7	31.0	31.3	16x	10.4	47.6	[7] 2.0	72.0	40.8	29,254	January 1939.
Kentucky	8 or $50 to each of 4 workers during each of 3 quarters.	568	$200	(20)	5	16	8.6	60.2	23.7	7.5	*16x	16.0	46.0	[7] 2.2	72.7	9.1	58,421	Do.
Louisiana	4	626	$60 (20x)	[10] 1/20	3	18	6.6	50.9	17.7	24.8	20x	(8)	(8)	(9)	(9)	(9)	36,759	January 1938.
Maine	8	273	$144	(20)	6	18	(18)	68.6	24.6	6.8	[19] *16x	14.0	21.9	(15)	(15)	(15)	18,817	Do.
Maryland	4	833	$210 (30x)	1/20	7	20		21.2	31.1	47.7	23x	10.9	44.9	(15)	(15)	(15)	69,105	Do.
Massachusetts	1	[16] 1,865	$150	1/20	6	18		35.3	33.1	31.6	20x	15.4	47.2	[7] 1.2	79.5	39.7	154,438	Do.
Michigan	8	2,050	$250 (including wages in 2 quarters).	1/25	7	16		4.9	18.1	77.0	18x	15.2	26.9	(8)	(8)	(8)	173,104	July 1938.
Minnesota	1 [20]	653	$200	(20)	7	[12] 20		22.2	36.8	41.0	16x	13.8	42.6	1.7	77.3	42.4	43,940	January 1938.
Mississippi	8	383	$90 (30x)	1/26	3	15	10.2	51.6	18.8	19.4	*14x	14.0	43.0	(9)	(9)	(9)	12,074	April 1938.
Missouri	8	[16] 1,173	$120 (40x) including wages in 3 quarters.[3]	1/25	3	18	3.4	30.6	24.2	41.8	16x	11.0	41.4	1.6	81.6	58.7	99,500	January 1939.
Montana	1 or in excess of $500 in 1 year.	134	$150	1/25	5	15		34.9	31.6	33.5	*16x	16.0	32.0	(9)	(9)	(9)	10,021	July 1939.
Nebraska	8	[16] 290	$200	1/25	5	15		38.1	36.4	25.5	16x	13.9	36.4	[7] 2.0	66.6	39.9	15,015	January 1939.
Nevada	1 and $225 in 1 quarter.	105	$200 [21]	1/20	5	15		9.0	28.1	62.9	18x	13.1	37.3	(9)	(9)	(9)	5,276	Do.
N. Hampshire	4	[16] 183	$200	(20)	6	[22] 18		55.5	35.3	9.2	[22] 18x	14.9	18.4	[7] 2.3	66.9	0	14,114	January 1938.
New Jersey	8	1,755	$150	1/22	7	18		18.9	32.1	49.0	18x	[23] 10.5	[23] 39.7	(8)	(8)	(8)	256,692	January 1939.
New Mexico	2 in 13 weeks or $450 in 1 quarter.	[16] 138	$150 (30x, including $78 in 1 quarter).	1/26	5	15	11.2	45.3	21.9	21.6	16x	14.7	35.2	2.1	60.6	38.0	5,595	December 1938.
New York [24]	4 in 15 days	[16] 5,800	$250 (25x) [25]	1/23	[25] 10	[25] 18		23.6	32.2	44.2	[25]*20x	13.0	46.6	(9)	(9)	(9)	501,004	January 1938.
North Carolina	8	[16] 1,061	$130	(20)	3	15	18.8	65.5	13.1	2.6	*16x	16.0	43.7	[7] 2.6	24.6	.2	60,497	Do.
North Dakota	8	59	$150 (30x)	1/26	5	15		41.8	30.7	27.5	*16x	[13] 13.5	[13] 38.7	[7] 1.8	74.7		3,253	January 1939.
Ohio	3 at any time	2,865	$160 and 20 weeks employment.	Table	$5	$16	.5	21.4	36.4	41.7	*18x	[26] 18.0	24.3	1.4	92.7	41.4	302,002	Do.
Oklahoma	8	[16] 491	$132 (22x)	1/20	6	16	.1	28.8	28.5	42.6	16x	8.8	56.7	[7] 1.5	80.1	25.3	29,652	December 1938.
Oregon	4 on 1 day and $500 in same quarter.	[16] 503	[3] $200	6%	10	15		.3	23.3	76.4	16x	6.5	29.6	2.3	60.7		34,739	January 1938.

See footnotes at end of table.

Selected unemployment compensation data—Continued

[Corrected to Aug. 16, 1943]

State	Coverage		Benefits										Financing				
	Minimum size of firm coverage [1]	Workers with wage credits in 1942 (in thousands)	Eligibility requirement [2,3] (minimum earnings or multiple of weekly benefit amount)	Weekly benefit amount			Percentage distribution of payments for total unemployment, January–December 1942				Maximum duration (uniform)	Average actual duration, claimants exhausting rights, benefit years ending in 1942	Exhaustion ratio for benefit years ending in 1942	Experience rating			Funds available as of June 30, 1943 (in thousands)	Date benefits first payable
				Fraction of highest quarterly earnings	Minimum	Maximum	Less than $5	$5–$9.99	$10–$14.90	$15 and over				Estimated average employer contribution rate, 1943 (40 States)	Percentage of rated employers with reduced rates, 1943 (40 States)	Percentage of rated employers with rates of less than 1 percent, 1943 (27 States)		
Pennsylvania	1	4,014	$100 ($50 in each of 2 quarters).	1/26	8	18	------	32.5	31.3	36.2	16x	9.2	36.5	[9]	[9]	[9]	393,832	January 1938
Rhode Island	4	387	$100	Table	6.75	18	------	20.2	41.5	38.3	20x	9.1	52.6	[9]	[9]	[9]	40,934	Do.
South Carolina	8	481	$120 (30x: 40x for all Amounts above minimum).	1/26	4	15	14.0	56.5	16.6	12.9	*16x	[8]	[8]	1.8	75.7	47.5	24,331	July 1938.
South Dakota	8	81	$126	[30]	7	15	.1	68.6	21.3	10.0	[10] *16x	[13] 14.0	[13] 31.4	[7] 1.3	72.4	60.4	4,801	January 1939.
Tennessee	8	710	$125 (25x; 30x for all amounts above minimum).	[27] 1/26	5	15	.1	57.5	24.2	18.2	*16x	16.0	42.7	[9]	[9]	[9]	38,301	January 1938.
Texas	8	1,660	$80 (16x)	1/26	5	15	------	60.1	18.9	21.0	16x	9.4	57.3	1.3	94.1	51.6	93,876	Do.
Utah	1 and $140 in calendar quarter.	225	$150 (30x)	1/20	5	20	------	20.2	29.6	50.2	*20x	20.0	25.1	[9]	[9]	[9]	12,968	Do.
Vermont	8	93	$180 (30x)	Table	6	15	.1	49.9	28.2	21.8	18x	13.2	37.0	[7] 2.3	54.0	------	7,385	Do.
Virginia	8	891	$100 (25x)	1/25	4	15	6.5	51.2	23.5	18.8	16x	13.4	24.3	[7] 1.5	92.6	------	41,423	Do.
Washington	1 at any time	[16] 784	$200	1/20	7	15	------	16.6	27.3	56.1	16x	11.6	17.3	[9]	[9]	[9]	68,835	January 1939.
West Virginia	8	507	$250	[30]	7	18	------	49.0	31.2	19.8	*16x	16.0	31.0	[7] 1.6	85.6	43.5	44,033	January 1938.
Wisconsin	6 in 18 weeks [28]	889	{14 weeks employment. $175 (25x, including $70 in 1 quarter).	Table 1/20	8	20	------	24.3	30.3	45.4	{[29] 20-; [30] 36½x}	12.7	26.8	1.7	66.8	31.1	92,577	July 1936.
Wyoming	1 and $150 in 1 quarter.	[16] 79	$175 (25x, including $70 in 1 quarter).	1/20	7	20	------	19.0	23.3	57.7	16x	10.3	24.5	2.0	65.6	0	4,803	January 1939.

[1] Require employment of specified minimum number of workers in at least 20 weeks except where otherwise stated.
[2] The dollar amount represents the minimum earnings requirement; where the wage qualification is a multiple of the weekly benefit rate, the multiple is shown in parentheses.
[3] The qualifying wages must have been earned in a 1-year base period in all States except the following: Arizona, 3-quarter base period; Missouri, 2-year base period; Oregon, 1-year base period that may be extended up to 2 years.
[4] Adjusted for duplication arising from employment of individuals in more than 1 State.
[5] Based on 34 States.
[6] Based on 24 States.
[7] Law provides for maximum contribution rate of 2.7 percent.
[8] Data not available.
[9] Experience rating not in effect in 1943; contribution rate is 2.7 percent.
[10] Or 50 percent of full-time weekly wage.
[11] State changed from individual to uniform benefit year; therefore, comparable data not available.
[12] Lower maximum rates and duration are provided when balance in the fund is less than 2 percent of the pay roll for 3 years ending with the base period for the benefit year.
[13] Data relate to operations under provisions which since have been liberalized; the presently included statistics are the latest available.
[14] Maximum $250.
[15] Experience rating became effective July 1, 1943.
[16] Estimated by State agency.
[17] Or full-time weekly wage, whichever is the lesser.
[18] Less than 0.05 percent.
[19] Benefit duration for lower wage classes is less.
[20] But services for employers not subject to Federal unemployment tax and located outside the corporate limits of a city, village, or borough of 10,000 population are excluded.
[21] Or twice the square of the weekly benefit amount, whichever is greater, and including earnings in either case of 5 times the weekly benefit amount in some quarter other than that of highest earnings.
[22] $15 maximum weekly benefit amount and maximum duration of 16 weeks if fund fails to equal or exceed $8 million for 2 successive months.
[23] Benefit years ending July–December 1942.
[24] Day base plan in effect since November 30, 1942, whereby benefits are paid for accumulations of 4 "effective days" of unemployment instead of weeks of unemployment.
[25] Benefits are paid for each accumulation of 4 "effective days." "Effective day" is defined as the fourth and every subsequent day of total unemployment in a week in which not more than $24 is paid to the individual.
[26] For nondisqualified claimants filing on or after Oct. 1, 1941; 12.0 for disqualified claimants.
[27] Rate is 1/20 and 1/25 for weekly benefit amounts of $5 and $6.
[28] Or where employer's records do not permit accurate count, if total annual pay roll is $6,000 or more.
[29] Duration depends on continuity of unemployment and number of base-period employers.
[30] Annual table.

Mr. BYRNES. I would also like to put into the record a statement which has been given to me by Mr. Nelson. I was asking him about exactly what action had been taken by the W. P. B., and he gave me a statement of those items, and I would like to include that statement as to reconversion activity of the W. P. B. It may be of some value.

(The statement referred to is as follows:)

RECONVERSION ACTIVITIES OF THE WAR PRODUCTION BOARD

(June 10, 1944)

This memorandum summarizes the activities of the War Production Board to date in connection with reconversion of American industry from the production of munitions of war to the production of products and equipment of primary value to civilians and the basic economy.

Among the problems to which the Board has addressed attention are: (1) Determination of the priority of civilian items; (2) readying the controls of the War Production Board—Comtrolled Materials Plan, L orders, M orders, etc.—for handling of the reconversion process; (3) anticipation of the danger of post-war distress of certain industries that either have a long lead factor of planning and order-placing, or that have expanded to such a point that the domestic market for their products is not likely to employ their full productive capacity; (4) disposal of surplus materials in the hands of plants; (5) arrangement for adequate War Production Board participation in the selection of plants whose contracts will be terminated under cut-backs of military programs; (6) identification of the issues of equity among competitors within each industry which arise if some of the competitors are to remain in war production and others are to be freed for civilian production; (7) legal issues as to both the adequacy of statutory authority for operation of the necessary governmental controls over the reconversion process, and the use of industry advisory committees in reconversion work without violation of the antitrust laws; (8) questions of manpower controls and policies, both with respect to the necessity of avoiding interference with military production and with respect to such specialized labor problems as seniority rights, dismissal wages, and avoidance of work stoppage.

CONSIDERATION OF GENERAL POLICY

On December 3, 1943, Mr. Nelson submitted to Mr. Bernard Baruch a notebook of material reviewing the activities of the War Production Board on demobilization and post-war problems. A month earlier, November 4, to be exact, Mr. Wilson, Executive Vice Chairman of the Board, outlined to Justice Byrnes the problems that will have to be met as American industry turns from war production to its civilian tasks; in the same letter he outlined certain basic principles that he felt were fairly noncontroversial. Mr. Nelson, in writing Mr. Baruch on December 3, stated that he subscribed quite thoroughly to Mr. Wilson's analysis.

General policy problems have been examined and commented on at hearings of various congressional committees. The board has also undertaken an examination of the basic policy issues, and has decided a number of them, at meetings of the War Production Board, the Production Executive Committee, the Requirements Committee and Program Adjustment Committee, the Procurement Policy Board, the Coordinating Area Production Urgency Committee, the Operations Council, and the Order Clearance Committee.

At the War Production Board on November 30, 1943, for instance, Mr. Nelson determined, without objection, that—

"Hereafter as manpower, facilities, and materials become available in any given area, it shall be the policy of the War Production Board to authorize the production within that area of additional civilian goods, provided such production does not limit production for programs of higher urgency."

And on January 11, 1944, the Board unanimously decided that—

"The War Production Board's present policies respecting restrictions on new construction and facilities should continue in effect until the probable future course of the war makes it certain that a relaxation will not injure the war effort."

From time to time the Board has considered other policy matters regarding reconversion. For instance, on February 22, the Board considered the views of the Domestic Laundry Equipment Advisory Committee on reconversion problems, particularly as they related to timing of resumption of production and protection of the competitive positions of individual companies.

The Planning Division for the last half year has concentrated on developing estimates of alternative war-production programs after the termination of hostilities in Europe; on studying the effects of cut-backs, on the supply of raw materials, facilities, labor, and transportation; and on developing patterns for the utilization of released resources in civilian production. The first preliminary report on this subject, War Production and Civilian Output After Victory in Europe, was based on an over-all cut in munitions production within the year, following termination of hostilities in Europe, by somewhat over 25 percent. A considerably more detailed series of reports has just been completed under the following titles: Reduction of War Programs and Release of Resources, Pattern of Civilian Use of Released Resources, Policy Problems in Reexpansion of Civilian Production. These reports proceed on the assumption of an over-all cut of somewhat over 30 percent. Because of the possibility that cuts may actually be larger than the services now anticipate, the Planning Division is working on a third report assuming an over-all cut of about 50 percent. This report should be ready in about a month. The Board will then have an analysis of the pattern of war production and civilian supply for what appear to be the lower and the upper range of probable cuts in war production after victory in Europe. These over-all studies are being supplemented by a more detailed analysis of the situation in a few key industries, the first of which (dealing with the automobile industries) is already well under way.

The Progress Division has continuously followed current developments in the field of reconversion and has reported on them in its monthly reports to the War Production Board. Thus, in its January and March reports there was presented a detailed estimate of resources that might be released before the end of the European War, and the amount and pattern of reconversion that could be effected by putting them to use.

Within the Statistics Division, the Facilities Utilization Section has assembled a considerable amount of basic statistical material on the facilities of manufacturing industries, with particular emphasis on the relationship between the normal production and the war work of individual plants. The Construction Section is assembling the plans of the various claimants regarding construction projects and has made estimates of the probable volume of construction, including machinery installed in factories for 1945 and 1946. The Materials Branch has done work on the supply-demand situation in important raw materials after X day.

ADVISORY COMMITTEE FOR CIVILIAN POLICY

With the collapse of the European phase of the war, it is expected that a substantial portion of the Nation's productive capacity will be released. In order that necessary readjustments may be made without interfering with war production, there was created on April 14 an Advisory Committee for Civilian Production that brings to focus in the War Production Board the representative views of all major segments of the economy. It is the function of this committee to explore and consult with the Chairman of the War Production Board concerning the basic over-all policies that should be adopted to guide the country through the difficult period of declining military requirements. The primary object of these policies is to: (1) complement necessary military production with the maximum output of civilian goods; (2) maintain full employment; and (3) guide the economy through the transition period with a minimum of disturbance and dislocation in established relationships affecting industry, labor, and the public.

This committee as presently constituted consists of:

The Chairman of the War Production Board, who is chairman of the committee.
Mr. Eugene Meyer, editor and publisher of the Washington Post.
Mr. Gordon Rentschler, chairman of the board of the National City Bank, New York.
Mr. Eric Johnston, president of the United States Chamber of Commerce.
Mr. Philip Murray, president of the Congress of Industrial Organizations.
Mr. William J. Kelly, president of the Kelly-O'Leary Steel Works, Chicago.
Mr. William L. Green, president of the American Federation of Labor.
Miss Ruth O'Brien, of the Bureau of Human Nutrition and Home Economics, Department of Agriculture.

Other members will be designated as it becomes desirable to broaden the representation.

PROGRAMING OF CIVILIAN PRODUCTION

One of the most difficult problems in reconversion is the identification of those programs for civilian production that should have priority in any gradual resumption of civilian production that becomes feasible. The office of the Program Vice Chairman, commencing in November 1943, has been endeavoring to obtain from claimant agencies full statements, with justifications, of additional or enlarged programs that might be put into effect as additional productive resources become available. The subsequent tightening of the general manpower position and adoption by the War Production Board of a "hold the line" policy toward all but the most essential nonmilitary program expansions, prior to the clarification of military operations in Europe, somewhat delayed compilation of the programs requested by the Program Vice Chairman. However, these programs are now being submitted, and will be studied to determine their relative urgencies, and to determine whether they should be implemented before X-day as military cut-backs permit, or should be held in readiness until that day. The more urgent of these programs are being referred to the industry divisions for detailed analysis and preparation of specific subprograms.

At the same time, the Office of Civilian Requirements is making comprehensive studies to determine what should be produced for civilians, and the relative urgency of need. Through field surveys the office currently ascertains the existing national inventories of consumer products, and the estimates by consumers and dealers of the products and services that are most needed as war requirements decline. A particular concern of the Office has been the problem of equity among distributors of civilian products; this is an especially acute problem during the period when civilian items to be distributed are scarce, but will probably continue to need careful analysis for the whole reconversion period.

CONSULTATION OF INDUSTRY AND LABOR ADVISORY COMMITTEES

Meantime, Mr. Nelson has made it clear that industry advisory committees are to be consulted. On January 14, 1944, General Administrative Order 2–141 was issued, requiring that:

"No new limitation or conservation order, or amendment of an existing order which will result in a substantial change in the rate of operations of an industry shall be submitted for clearance without prior consultation with the proper industry advisory committee or committees of the industries to be affected. Every attempt should be made to consult the industry advisory committee as early as is practicable."

Even before this order, industry advisory committees were considering reconversion and resumption problems. Attention is directed to the following committees, and the first date upon which they gave such consideration:

Domestic Electric Appliance Industry Advisory Committee, September 17, 1943.
Domestic Laundry Equipment Industry Advisory Committee, December 3, 1943.
Domestic Vacuum Cleaner Industry Advisory Committee, January 13, 1944.
Mechanical Household Industry Advisory Committee, January 21, 1944.
Automobile Industry Advisory Committee, April 17, 1944.

The committees have rendered advice on such problems as the development of plans for obtaining machine tools, the economical minimum rate of civilian production and minimum operating costs, the division of authorized civilian production among the manufacturers, determination of the models to be produced, methods of distribution, and procedures for joint Government-industry planning for reconversion.

Over the past 6 months, labor advisory committees have also been consulted on reconversion matters. There are listed below the committees that have thus been called together, and the dates of their first meeting for this purpose:

Flatiron Labor Advisory Committee, December 30, 1943.
Machine Tools Labor Advisory Committee, January 21, 1944.
Domestic Mechanical Refrigerator Labor Advisory Committee, April 25, 1944.
Domestic Laundry Equipment Labor Advisory Committee, April 26, 1944.
Automobile Labor Advisory Committee, April 27, 1944.

MODIFICATION OF CONTROL ORDERS

Although the Board's long-range planning has been oriented with reference to a substantial cut-back in military programs coincident with victory in Europe, the Board has necessarily had to face the fact that the combined factors of the easing materials situation and the long deferment of certain essential civilian needs make certain resumption programs desirable at present; the same factors make it feasible to approach a relaxation of certain orders that are no longer needed—such as those that result in inferior products through requirements of substitution of materials, or those that handicap freedom of choice by manufacturers without making substantial contributions to war production. We have been conscious of a further factor: the value of gaining experience in reconversion problems by initiating limited experiments with the resumption of production of a very few civilian items.

Among the resumed or enlarged programs for civilian purposes are farm machinery (begun July 1, 1943), commercial trucks (begun January 1, 1944), railroad equipment (begun in 1943, but accelerated in 1944), piston rings (April 1944) and rubber tires; and domestic electric flat irons (begun February 24, 1944).

In addition, approximately 70 orders of the War Production Board have been modified in the last few months so as to permit resubstitution of materials formerly used in the manufacture of products; in such use these materials will replace the less satisfactory substitutes that have been forced upon manufacturers as a result of conservation or standardization and specification orders of the Board. In every instance where the Board has so modified its orders, the objectives have been one or more of the following: (*a*) Labor saving in fabrication; (*b*) substitution of less scarce for more scarce material; and (*c*) improvement of product. An example of action along this line is the modifications made following special studies concerning the possibility of saving the now critical wood and paper through reversion to the use of metals.

More important in the long range, perhaps, are the comprehensive studies of the orders issued by the Board under its priority powers. Approximately 600 reports have been obtained from administrators of orders; in each of these reports some 60 items of information are provided, many of them directly concerned with problems of reconversion. Through the tabulation of the results of this extension survey, it is now possible to turn immediately to all of the orders restricting aluminum or all of the orders providing a quota on production of end products. At the same time, this reference list includes specific recommendations as to action to be taken with regard to modification and revocation of each order upon occurrence of substantial military cut-backs.

LABOR PROBLEMS

Since manpower has become the most critical of the Nation's productive resources, it has been particularly important for the Board to orient its current resumption programs with reference to this factor, and not simply with reference to the availability of materials and facilities. Accordingly, all resumption proposals have received severe scrutiny at the Program Adjustment Committee, Requirements Committee, Order Clearance Committee, and other clearance points to ensure that, if approved, the resumption of production would not interfere with urgent military and civilian programs by diverting labor therefrom. The policy and procedure governing the relation of resumption programs to labor availability have been announced in General Administrative Order 2–154, which reads in part:

"No resumption or expansion of production shall be authorized in any No. 1 labor area except after clearance through and approval by the regular or modified area production urgency committee, where established, and where not established, as approved by the Executive Vice Chairman.

* * * * * * *

"No resumption or expansion of production shall be effected in any No. 2 labor area except to the extent that such production is approved by the appropriate Vice Chairman."

Exceptions regarding smaller plants are discussed below.

The War Production Board is working closely with the War Manpower Commission and other agencies in a general program designed to meet the manpower shortage, particularly with a view to assuring that high urgency programs received full priority over the less essential types of production. The elaborate mechanism

through which controls of this character are exercised is not described here, since it has in the past been concerned mostly with procurement agency contracts, rather than with civilian production problems; however, it should be recognized that this mechanism will be most important, as evidence already indicates, in guiding the selection of plants that might be allowed to revert to production of civilian goods.

SMALLER PLANTS

Implicit in the whole problem of reconversion, and particularly the problem of current limited resumption of civilian production, are the respective roles of small and large plants. The War Production Board has taken the position, and issued appropriate instructions to implement its views, that there should be less stringent restrictions on the reentry of smaller plants into civilian production than exist in the case of the large plants of the nation.

This policy has been applied most specifically in General Administrative Order 2.154, which, as noted above, required that no resumption or expansion of production be authorized in group 1 or 2 labor areas without specific approval of an appropriate Vice Chairman of the Board, or of an area production urgency committee. The order specifically provides that "Establishments in the west coast area employing 50 or less, and establishments outside of the west coast area employing 100 or less, are excluded from this policy."

LEGAL PROBLEMS

There are, of course, a number of legal questions that need to be settled before we can be confident of the adequacy of control mechanisms and procedures. At Mr. Nelson's request, the general counsel has been exploring these questions both with his own staff and with the Department of Justice. A proposal for the extension for 1 year of the Second War Powers Act is now before Congress. Consideration has been given to the adequacy of this Act for reconversion purposes. Antitrust aspects of the use of industry advisory committees in the reconversion process have also been studied.

PRODUCTION EXECUTIVE COMMITTEE STAFF

Effective May 25, there was created within the mechanism of the Production Executive Committee a staff consisting of representatives of the military services and the Maritime Commission, together with representatives of the several Vice Chairman areas of the War Production Board, and the War Manpower Commission. It is the function of this staff to inquire into any feature of production, including its scheduling and the scheduling of components, and to make available all pertinent information with respect to coordinated adjustments for the resumption, expansion, or curtailment of production. Pursuant to a directive from the Office of War Mobilization, contract cut-backs and terminations proposed by the procurement agencies will not become effective until cleared through this mechanism. Under the procedures adopted, the recommendations of the Production Executive Committee staff, when unanimous, will bind the procurement agencies. When the staff is divided, the Production Executive Committee will resolve the conflict and render a binding decision. The Production Executive Committee Staff, aided by War Production Board research staff and full time members of the Army Service Forces, Army Air Forces, Navy Bureau of Aeronautics, Navy Office of Procurement and Material, and the Maritime Commission, is currently meeting three times a week to consider adjustments in military programs. To expedite the handling of adjustments arising out of cut-backs and terminations, the service representatives are physically located on the premises of the War Production Board.

Mr. BYRNES. I should like to take the liberty of calling one other matter to your attention, on the discussion of this legislation. I have a statement of the major war-related statutes terminating at specific dates. The reason I have referred to it is that there are two acts that, according to the statement given me by the Budget Bureau, will expire June 30. The record shows no action to continue them. I am not even advised as to whether you deem it necessary to do it, but of course it might be helpful if I would include in the record those statements showing the war-related statutes terminating June 30 and those also that terminate December 30, so that you may refer to them.

Senator VANDENBERG. What are the two to which you refer?

Mr. BYRNES. There is a bill that has passed the Senate and is pending in the House relating to the power of the President to requisition property for defense of the United States.

The Price Control Act, we know about.

The power of the President to requisition export military materials for use of the United States, that expires June 30. That is one of the bills which, according to the record, nothing has been done to continue.

The other one is the power of the R. F. C. to institute condemnation proceedings.

Then, there is a bill for export control which is a Senate bill pending in the House.

Senator VANDENBERG. The Senate record would appear to be pretty good.

(The statement referred to is as follows:)

MAJOR WAR-RELATED STATUTES TERMINATING AT SPECIFIED DATES

(Prepared by the Budget Bureau)

June 30, 1944: Power of President to requisition property for defense of United States expires. Requisitioned property to be returned by December 31, 1944 (Public Law 104, 78th Cong., 50 U. S. C. App. 721). S. 1748 pending in House.
June 30, 1944: Emergency Price Control Act expires (Public Law 729, 77th Cong.; 50 U. S. C. App. 901). S. 1764 and H. R. 4941 pending.
June 30, 1944: Power of President to requisition export military materials for use of United States expires (Public Law 643, 77th Cong.; 50 U. S. C. App. 711).
June 30, 1944: Export control expires (Public Law 638, 77th Cong.; 50 U. S. C. 701). S. 1826 pending in House.
June 30, 1944: Power of Reconstruction Finance Corporation to institute condemnation proceedings expires (Public Law 506, 77th Cong.; 15 U. S. C. 606 (b)).
December 31, 1944: Farm labor supply legislation expires (Public Law 229, 78th Cong.; 50 U. S. C. App 1351–1355; Public Law 229 not yet codified).
December 31, 1944: War use of silver expires (Public Law 137, 78th Cong.; 31 U. S. C. 734 (c)).
December 31, 1944: Second War Powers Act, titles I to IX, inclusive; XI and XIV expires (Public Law 507, 77th Cong.; 50 U. S. C. App. 645).
January 20, 1945: Authority of President to appoint Under Secretary of War expires (Public Law 891, 76th Cong.; 5 U. S. C. 181 (a)).
May 15, 1945: Alternate date for expiration of Soldiers and Sailors Relief Act (Public Law 861, 76th Cong.; 50 U. S. C. App. 584).
May 15, 1945: Selective Training and Service Act expires (Public Law 783, 76th Cong.; 50 U. S. C. App. 318).
June 30, 1945: Commodity Credit Corporation expires (Public Law 240, 78th Cong.; 15 U. S. C. 713).
June 30, 1945: Lend-lease expires; contracts may be carried out to July 1, 1948 (Public Law 304, 78th Cong.; 22 U. S. C. 412 (a), 22 U. S. C. 415 (b)).
June 30, 1945: Interstate petroleum pipe-line authority expires (Public Law 103, 78th Cong.; 15 U. S. C. note prec. 715).
June 30, 1945: Operation of stabilization fund expires (Public Law 42, 78th Cong.; 31 U. S. C. 822 (a)).
June 30, 1945: Federal Surplus Commodities Corporation expires (Public Law 634, 77th Cong.; 15 U. S. C. 713 (c) and note).
July 1, 1945: Additional safeguards to radio communications on United States ships expire (Public Law 97, 78th Cong., 47 U. S. C. 353 note).
July 1, 1945: New war housing insurance authority expires (Public Law 159, 78th Cong., 12 U. S. C. 1738).
July 1, 1945: Emergency Farm Mortgage Act expires (Public Law 91, 78th Cong., 12 U. S. C. 1016).
July 1, 1945: Succession of Smaller War Plants Corporation terminates, except for purposes of liquidation (Public Law 603, 77th Cong., 50 U. S. C. App. 1104).
July 1, 1946: Federal Housing Administration limit for insuring mortgages (Public Law 159, 78th Cong., 12 U. S. C. 1709).

January 1, 1947: Soil Conservation and Domestic Allotment Act expires (Public Law 374, 77th Cong., 16 U. S. C. 590h (a)).
January 22, 1947: Disaster Loan Corporation and Electric Home and Farm Authority (Public Law 108, 77th Cong., 15 U. S. C. 601 k–1, 701 to 712).
July 1, 1947: New Federal Housing Administration insurance of financial institutions expires (Public Law 159, 78th Cong., 12 U. S. C. 1703).

Senator MURRAY. Mr. Byrnes, you mentioned a communication from Mr. Baruch suggesting the liquidation of his office. Do you care to submit that statement to the committee?

Mr. BYRNES. I have no objection to doing it. I haven't got it here. I will send it to you.

Senator MURRAY. Very well.

(The letter referred to is as follows:)

OFFICE OF WAR MOBILIZATION,
ADVISORY UNIT FOR WAR AND POST-WAR ADJUSTMENT POLICIES,
Washington 25, D. C., May 12, 1944.

Hon. JAMES F. BYRNES,
Director, Office of War Mobilization,
Washington, D. C.

DEAR JUSTICE BYRNES: By May 15, the records of our office should be in such shape that we can end our work in keeping with our report on War and Post-war Adjustment Policies, February 15, last.

We think we should inform you that while much has been done in carrying out the program recommended by us and approved by you, on some matters of importance, administrative or legislative acton still is lacking. It is 3 months since the issuance of the report. For the good of all of us, but mostly for the sake of our soldiers and sailors, let us hurry, hurry, hurry not only in winning the war but in being ready for the peace. Delays jeopardize both these objectives.

The Nation still is months away from being prepared to meet the great adjustments that will come on that unknown X-day when one of our enemies is defeated. Further delays and inactions can only make our readiness ever more distant and will turn the adventure in prosperity that lies within our grasp into an adventure in adversity.

The concern expressed in this letter should not be taken as reflecting any speculation as to an early end of the war. The collapse of the Axis in Europe, according to present outlook, should permit the demobilization of a substantial part of our armed forces and a good part of war industry. If this transition is to be handled without unnecessary unemployment, without further inflation and chaotic confusion, the Government must be ready for the swiftest action, regardless of when the X-day of Germany's defeat falls. The machinery should be set up and tested; the policies and programs developed in advance.

Moreover, these preparations, in the general tightening up of the war machine which they require, would improve the current conduct of the war.

We summarize briefly what has taken place on the more important fields covered in our report:

1. On the human side of demobilization, which is the most important of all of the aspects of demobilization, there was promptly created by Executive order the post of Retraining and Reemployment Administrator to correspond with our recommendation for the creation of a so-called Work Director. This Work Director was to be charged with developing a detailed program for dealing with the many aspects of the whole human side of demobilization and the Administrator has been proceeding sympathetically with this objective and with progress.

The problem is most difficult, most important and most urgent. It will aid the Work Director if Congress will name one committee in each House or a joint committee for both Houses to work on this enormous problem, as was recommended in our report. This will speed the prompt care for veterans in every respect and for workers with jobs for all.

2. Equally swift action was taken in the creation by Executive order, for the time being, of the post of Surplus War Property Administrator for bringing this pressing problem under immediate effective control. The post is in good hands with good progress being made. A great deal remains to be done, of course, but the work is being pressed aggressively.

The Surplus Administrator, we are informed, will soon be in a position to begin discussing possible legislation. It will be most helpful if Congress centralizes its interests in this field.

3. While there has been much discussion, we are aware of no effective action for the setting up of adequate organizational machinery and determining policies to insure the cancelations of war contracts being properly planned in advance. This is vital in order to minimize the disruptive effects on communities of haphazard cancelations and so that cancelations are handled in ways which contribute to greater war efficiency and to the quickest possible reconversion of industry to peacetime production and employment.

Definitive action in this field is needed as a war measure which can contribute to easing manpower and other mobilization problems.

4. Nor do we know of any action taken thus far in the way of coordinated machinery for working with the armed services in the preparation in advance of an X-day reconversion program that is to be ready for immediate use whenever X-day comes. The purpose of this recommendation was to insure against being caught unprepared by a sudden collapse of Germany. Unless we are ready, such chaos and confusion could result as to seriously obstruct the final victorious offensives against Japan.

In both this matter of the planning of cancelations in advance and the preparation of the X-day program, there has been no action even though appropriate letters were sent by your office to the War Production Board, and the armed services were ready to proceed.

5. In the field of the settlement of terminated war contracts, a detailed administrative program for speeding settlements, while fully protecting the public, has been drawn up and requires principally the enabling legislation by the Congress.

The Senate has passed a bill which has our approval, as well as that of all of the procurement agencies. A similar bill is now before the House, having been endorsed unanimously by the Special House Committee on Post-war Economic Policy and Planning. Both bills cover the legislative needs for contract settlement.

As you are aware, prompt enactment of contract settlement legislation is badly needed both for winning the war and for returning to peaceful prosperity with jobs for all. When a war contract is terminated, in effect, the plant is shut down entirely or partially. To reopen that plant for new and full employment, the terminated contract must be settled. That is, the plant must be cleared of Government-owned property, work in process, and inventories, to make room for new equipment and materials, and the contractor paid what the Government owes him—no more—so he has the money to buy new materials and equipment and to start up new pay rolls. How much unemployment there will be in the reconversion period will depend largely on the speed—or delay—in contract settlement.

Already more than 20,000 war contracts have been terminated. Neither existing legislative authority nor administrative machinery is adequate for dealing with these current terminations, let alone the great volume of contracts that will be canceled following a major change in the war.

It is the subcontractor and his suppliers—in general, the small businessmen—who stand most exposed today in the contract settlement picture. Legislation is needed to permit the Government to settle directly with subcontractors and to speed payment to them in other ways, to develop the possibilities of company-wide type of settlements, which may greatly speed the whole settlement machinery.

Legislation is needed to permit the establishment of a Nation-wide system of interim "T" loans for any and all war producers while awaiting settlement. Again, these "T" loans are needed primarily for the smaller businessmen whose limited liquid assets are largely tied up in their war production.

6. Action is still waiting on the recommendations in our report for financing aid to small business—for the Federal Reserve banks being empowered to make $500,000,000 in loans to small business and for the extension of the authority of the Smaller War Plants Corporation to make loans for reconversion purposes as well as for war production. These two measures were to supplement the existing lending authority of the Reconstruction Finance Corporation and the great reservoir of private capital waiting to be tapped and which can stimulate employment.

7. The various war powers which expire soon and which are needed both for the prosecution of the war and for the return to peace will have to be extended. The first one in order of expiration, the price-control law, is not under consideration by Congress. Before the year is over the priorities and allocations power on which the functioning of the War Production Board rests, and the requisitioning power of the President will both expire.

8. The development of post-war housing programs, the designing, engineering, and planning in advance of worthwhile public works, to be put on a shelf for use if needed, has still to be accomplished.

9. Also, the drafting during the war of a post-war tax bill, to be put on the shelf until after the war, which shall have as one of its major objectives the widest possible employment through the stimulation of enterprise capital.

All these matters are now in the hands of Congress where they properly should be, as well as many questions of importance not taken up in our report such as the problems of agriculture, foreign trade, matters going into the treaty of peace—all of which have a profound effect on employment. It is out of the mills, mines, farms, and factories now engaged in war production that the bulk of post-war jobs must come, and we felt that the first thing was to arrange for the speediest shifting of these vast productive resources from war to peace. All of the recommendations in our report were designed to bring about this speed which is our most effective weapon against the twin enemies of unemployment and inflation.

Mr. Hancock is ready to stay on as acting chairman of the Joint Contract Termination Board for the time being. In closing our work, we would like to thank you for the opportunity to serve.

Sincerely yours,

BERNARD M. BARUCH.
JOHN M. HANCOCK.

Senator MURRAY. The pending legislation, I think, recognizes the absolute need for these policies and procedures that you mention with reference to the termination of contracts. You will notice that at the bottom of pages 10, 11, and 12, it undertakes to set up a production adjustment committee such as you have mentioned, comprising the various procurement agencies, as well as other Federal agencies interested, or affected by contract termination, and it sets up the policies and procedures that should be followed in connection with the termination of those contracts.

I believe that you have looked over these provisions. Do you think that they comply with what would be required in that direction?

Mr. BYRNES. Yes; it seems to me that it is sufficient particularly to enable whoever is appointed to fill the office to do the jobs you are interested in. I do think this, that there is not any use to establish it and place the responsibility in the individual unless you give him the power, as responsibility without power or power without responsibility is a dangerous thing. They are just a two-way stream.

I think the bill—I think the definitions of the purposes are amply broad to enable any individual charged with the responsibility to carry it into effect. I think this, as long as you keep in this bill the thought that it is a policy-making agency—if there ever was put into it a provision that makes it an administrative agency, then it would be most unfortunate. That office will start to grow no matter what the views of the man at the top may be. Whenever he accumulates a large staff, and the staff is authorized to plan, in odd moments they will plan for the continuance of the bureau, and whenever you give an individual office the authority of administration, you cannot help it, human nature being the same, there is a tendency to expand activities.

I have found, as Director of War Mobilization, that by having a small staff—I think my appropriation is $140,000 out of which I pay the expenses of the Baruch post-war group—of course quite a number of those gentlemen did not draw any compensation—but the point I make is that as long as it is a relatively small organization working through the other agencies, it can direct policies, but whenever it goes into administrative work it becomes a competitor of the other agencies and the troubles commence. It should not be allowed to.

I have had many very important persons try to urge me during the last year to embark into the administrative field, but my life would be even unhappier had I consented to go along with them.

Senator MURRAY. You observed also, I presume, that the provisions of this bill require the Attorney General to make surveys for the purpose of determining whether or not there is any expansion of monopoly or undue concentration of business, and to report periodically to the Congress on those matters.

Mr. BYRNES. Yes; I do not see any objection to it. I think they ought to do it.

Senator REVERCOMB. May I ask one question?

Senator MURRAY. Yes.

Senator REVERCOMB. You ask about keeping a small organization. I think this bill, S. 1730, provides for the employment of a director and the appointment of an assistant director. Do you think it is necessary to provide in the bill for the appointment of an assistant director?

Mr. BYRNES. Well——

Senator REVERCOMB. Or would you leave the organization of the office of the Director?

Mr. BYRNES. I was going to say I see no reason, if you left it to the Director, let him exercise whatever discretion needed, I don't know but what it would be better. I think I would do that. Let him determine that, and fix the salaries. If he has a small office, what is the necessity of making an inflexible statement? I think it is all right.

Senator VANDENBERG. Mr. Byrnes, are you prepared to discuss at all the so-called Kilgore bill in its latest form?

Mr. BYRNES. No, I am not; although I know that it was the Kilgore report that first advocated the establishment of an over-all agency upon which the Office of War Mobilization order was really based. I do not know, I have not compared the bills. They differ, I know that. It has an unemployment compensation feature in it, because I have heretofore discussed it with the Senator, but I would not be in a position to discuss it at this time, because I have not it before me, and I am not familiar with its details, so I would rather let someone who is familiar with it discuss it.

Senator KILGORE. May I ask, Mr. Chairman, as to how far Justice Byrnes got in his discussion before I came in?

Mr. BYRNES. He thought he had finished.

Senator KILGORE. I was not here, and I did not hear it. Just before I ask my questions—how many contract agencies are there of the Government now that have the power to terminate contracts, do you know?

Mr. BYRNES. Well, no; I would not attempt to go out of the big agencies. I confess that I have discussed that with you, the Army, Navy, and the Maritime Commission.

Senator KILGORE. Well, as a matter of actual fact, is not the Army so decentralized that there are some 10 separate procurement agencies there, all of whom have the power to make—terminate contracts?

Mr. BYRNES. I think there are. I don't know whether it is 8 or 10.

Senator KILGORE. And the Navy and Maritime Commission, of course, have only one; and the Treasury Procurement, of course, has one—that makes a total of about twenty-some-odd agencies with termination power.

I had discussed with a number of people, and I want to get your opinion on it, on the idea of unit cut-back, rather than contract termination. In other words, unit cut-back—for instance, let us say that it was decided by the Army that they had already contracted for too many jeeps, more than they were going to need, due to change in the strategical situation, wouldn't it be better for them to advise the central office that they were going to reduce their contract, say by 5,000 units, rather than by just saying, "We are going to cut out X factories in this program," and let some central office that is aware of the entire industry picture decide what factories should be cut out and what factories should be reduced as a program requirement.

Mr. BYRNES. Well, I have understood from the Army, for instance—of course, that is the big agency, the big contracting agency——

Senator KILGORE. Yes.

Mr. BYRNES. That its production committee has been considering that question, considering all of them, and then after considering the over-all, general question, and character and tentative decision, that they refer it to what they call a technical committee for determination as to the individual plants, after hearing all the interested procurement officials. I wonder if that does not carry out the idea that you have in mind, that they did constitute a central office.

Senator KILGORE. That is within the Army.

Mr. BYRNES. Yes.

Senator KILGORE. Now, does the Navy have the same set-up?

Mr. BYRNES. The Navy, as I said before, according to the information that is given to me, is following the Army procedure, because it does not cancel many contracts as compared with the Army and may not have the same exhaustive procedure that the Army has—but you mean an interdepartmental agency?

Senator KILGORE. Yes.

Mr. BYRNES. No; I have never considered that with them.

Senator KILGORE. Do they have such a thing between the various procurement departments?

Mr. BYRNES. Not that I know of. What they advise me is that the Production Committee put a limit upon its action and advises the Navy as to what it is doing, and the Navy advises the Army, and the Maritime Commission the same.

Senator KILGORE. And they advise after they have made the decision.

Mr. BYRNES. Yes; I know of no interdepartmental committee that passes upon the respective procurement agencies' recommendations.

Senator KILGORE. Yes; so that we have what might be called a curative treatment after the decision is made, rather than a prophylactic treatment, preventing mistakes in decision, is that right?

Mr. BYRNES. You will have a decision by the Army as to the Army needs, and a statement for the Navy and Maritime Commission to determine whether that is a mistake.

Senator KILGORE. The point I am getting at is this, that unless the whole thing is centrally planned, is there not danger that too many plants may be shut down in one area suddenly?

Mr. BYRNES. I agree.

Senator KILGORE. And wreck the area, whereas other areas may go right ahead without shut-down or curtailment and with a proper spread of manpower such areas could be kept working.

Mr. BYRNES. I must say that I mentioned before you came in, during the discussion of what was done as a result of the directive of mine, that in the Production Executive Committee which Mr. Wilson is Chairman of, and a representative from each of the agencies, the procurement agencies, I directed them that there should be no cancelation of contracts until it is cleared, and before it is cleared it shall be submitted to this committee where there is a consideration there. That committee is about what you have in mind, if it functions as directed.

Senator KILGORE. That is such a committee.

Mr. BYRNES. Yes.

Senator KILGORE. Now, isn't it also a fact as this progresses we are going to have to have some control over the W. P. B., so that this decision will be keyed with W. P. B.?

Mr. BYRNES. W. P. B.?

Senator KILGORE. For civilian requirements.

Mr. BYRNES. For that purpose, a W. P. B. representative, Mr. Wilson, is Chairman of the Committee.

Senator KILGORE. Yes. Now, then, I want to ask you this queston, because I have asked about a dozen people the same question: In your opinion——

Mr. BYRNES. What did the other 11 answer?

Senator KILGORE. Is not the reconversion problem worse than the conversion problem? Isn't it bigger?

Mr. BYRNES. Well, oh——

Senator KILGORE. In other words, we could build plants and fill in gaps on conversion, but reconversion is a different proposition.

Mr. BYRNES. It is a different proposition; yes, sir. I do think, however, that I have more confidence in American industry and if, when the time comes for cancelation, we release the restrictive controls in the problem before them, they will find a way to reconvert it that we never dreamed of.

Senator KILGORE. I think so.

Mr. BYRNES. That is a hope.

Senator KILGORE. But don't you believe that government is going to have to do the planning?

Mr. BYRNES. I think there are a lot of fellows in this country who can do their own planning.

Senator KILGORE. I mean, make the plans that will permit industry——

Mr. BYRNES. Release industry and let industry take care of itself. There will have to be a lifting of the restrictions on business that you are talking about.

Senator KILGORE. That is right.

Mr. BYRNES. Yes.

Senator KILGORE. And we are getting to such a rate now that we are going to have some pretty heavy change-overs.

Mr. BYRNES. Yes; as long as the war is on, and as long as there is a question of shortage of material, shortage of manpower, it is far more serious than it will be in the days following the war. I believe, so far as material is concerned, in the days following peace, we are going to find that money is not the only thing that is hoarded in this world, that there is some material that has been hoarded by the very careful and prudent fellow.

Senator KILGORE. And that manpower has been hoarded, too.

Mr. BYRNES. Yes; I was going to put manpower third.

Manpower, material, and money, and whenever they find that peace has come, and they think that the restrictions are off, they are going to bring it out.

Senator KILGORE. That is right.

Mr. BYRNES. And put it on the market.

Senator KILGORE. That is like the fellow in Jersey that bought a ton of sugar, he was not the only hoarder, but he is going to have to put that sugar on the market after the war is over or go broke.

At the same time, if you just start shutting plants down without a central plan, there is the liability of running into that situation——

Mr. BYRNES. Oh, yes.

Senator KILGORE. Whereby each plant knows what it can do, but does not know the way to get the information from the balance of industry.

Mr. BYRNES. Let me say—you were not here. If you will be good enough to read the statement I read, the prepared statement, I tried to present what I was advised by the Army with reference to—and the W. P. B., as to the plan they now have to accomplish the purpose you have in mind. Then, after you have read it, I would like to have your suggestion on it, because you have given study to the question. I have outlined it at some length in my statement.

Senator KILGORE. But you do agree that the contract termination question must be planned?

Mr. BYRNES. Absolutely.

Senator KILGORE. And it must be keyed with conversion?

Mr. BYRNES. Absolutely.

Senator KILGORE. And that we must have a program that will give them information that we have got in order that they may go back into industry with some assurance industry will be profitable.

Mr. BYRNES. Absolutely, and it should be given to them at the earliest possible date, without waiting for X-day.

Senator KILGORE. And a factual survey should be made to see that they are understood.

Mr. BYRNES. Right; I agree; that is right.

Senator KILGORE. The reason I say that, it so happens that two different departments shut a plant down in my State at one time, and they not only wrecked that town, they wrecked every citizen in it. The thing that was done, it was unplanned. One plant being shut down would have allowed the town to go ahead, but two plants, wrecked the town. The Navy shut down one plant and the Army shut down the other. Neither one knew anything about it. When they both wanted to shut down nobody knew anything about it except the people themselves.

Mr. BYRNES. How long ago?

Senator KILGORE. Some time ago. They had their money in both cases.

Mr. BYRNES. Under the plan they now have there would be no reason for it. It would just be a violation of the policy they have adopted and the plan they say they will follow. Of course, that sometimes occurs, but under the plan they now have adopted and say they are following, it could not occur.

Senator KILGORE. Well, now, do those plans contemplate a conference with the central agency prior to——

Mr. BYRNES. To cancelation?

Senator KILGORE. Cancelation.

Mr. BYRNES. Yes.

Senator KILGORE. And notice to the factory long enough in advance so that they can start making their arrangements for reconversion?

Mr. BYRNES. I have said, Senator, that they even intend, within a very short time, to advise through their field representative, say to the contractor in West Virginia, that when it comes, "you will get a telegram reading as follows, and that will mean that such-and-such a percent of your contract is canceled, or it is all canceled," and they will discuss it with him, and that service will be undertaken within the next 30 days. When that is done then the manufacturer would have some opportunity to plan himself as to what he is going to do, whenever the thing comes.

Senator KILGORE. The W. P. B. is going to be required to give the necessary release?

Mr. BYRNES. Yes, he has got to ask the W. P. B. for a release of the limitation order. I don't think you will find the fellow hesitating to ask for it. However, that burden won't be much.

Senator KILGORE. Some of them may find that they won't need it.

Mr. BYRNES. The determination of that question, in some cases where there is an acute manpower shortage in an area, a certain manufacturer is working upon important war contracts and he is in a position to do further war work, it is bound to make some hardship when that decision is made, but everything should be done; as I have said, I am convinced that, while nothing is perfect, that great progress has been made toward lessening those hardships, particularly in recent weeks, which is very encouraging. They are profiting by the mistakes.

Senator KILGORE. Don't you think the Brewster plant had something to do with that, the shutting down of the Brewster plant brought home this situation?

Mr. BYRNES. I have already discussed that. As a matter of fact, it did not cause, because that is a case of administration, not of policy. It was a question—I have gone over it, it was not a typical case, but it did do this, it did call, in rather spectacular way, attention to the fact that there was not sufficient notice. One reason I have gone into it at this time at some length, the Navy said it was their first large cancelation, they gave 30 days' notice, but they gave it to the assembly plant, they did not give it to the Long Island plant which had the parts. They had been trying to find, as a matter of information, I know, Senator, that you are especially interested in it—at my request Mr. Wilson has been endeavoring to see if the Corsair plant could utilize the parts from the Long Island plant so that they could continue to manufacture during the 30 days the assembly plan could cut off. Well, they found that in the other plant manufacturing Corsairs, that the design had been changed.

The question arose as to whether any part of the parts manufactured at Long Island could be utilized in these plants. Engineers were sent for, they looked at them and they said they wanted to take the spare parts out and actually try them on the machines and they would report this afternoon. The engineers were sent, I think to Ohio, so that Mr. Wilson is quite hopeful of being able to advise you today——

Senator KILGORE. Well, the trouble there, you will find, I think has been each plant has its own detail, some of them cut on the bias, some put flounces on, and some just sew it together.

Mr. BYRNES. That is exactly what happened.

Senator KILGORE. And the result has been that you could not exchange these prefabricated parts between the plants, because each plant has been permitted to use its own detailed drawings although the general design is exactly the same.

Mr. BYRNES. That is because of changes in design, I am informed, which make it necessary to see if the part can be used.

Senator KILGORE. All right, thank you.

Senator MURRAY. That will conclude the hearing.

(Whereupon, at 12:20 p. m., the hearing was concluded.)

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Columbia University
NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 1 to 7 of hearings, bearing same title, on S. 1730 and S. 1823 before the Murray Subcommittee)

HEARINGS

BEFORE THE

COMMITTEE ON MILITARY AFFAIRS

UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1730

A BILL TO CREATE AN OFFICE OF DEMOBILIZATION, ESTABLISH GENERAL POLICIES FOR THE OPERATION OF THAT OFFICE, PROVIDE FOR THE SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS, PROVIDE FOR THE DISPOSAL OF SURPLUS GOVERNMENT PROPERTY, AND FOR OTHER PURPOSES

AND

S. 1893

A BILL TO PROVIDE FOR THE ESTABLISHMENT OF AN OFFICE OF WAR MOBILIZATION AND ADJUSTMENT, AND FOR OTHER PURPOSES

PART 8

JUNE 9, 14, 15, 16, 1944

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

FRIDAY, JUNE 9, 1944

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The committee met at 11:40 a. m. in the committee room, Capitol, Senator Robert R. Reynolds (chairman) presiding.

Present: Senators Reynolds (chairman), Hill, Downey, Truman, Kilgore, Murray, Bridges, and Gurney.

The CHAIRMAN. We have before us this morning two bills that we will consider in relation to one another. They are S. 1730, the Murray-George bill, to create an Office of Demobilization; and S. 1893, the Kilgore bill, to provide for the establishment of an Office of War Mobilization and Adjustment.

(S. 1730 and S. 1893 are as follows:)

[S. 1730, 78th Cong., 2d sess.]

A BILL To create an Office of Demobilization, establish general policies for the operation of that Office, provide for the settlement of claims arising from terminated war contracts, provide for the disposal of surplus Government property, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—ADMINISTRATION OF THE ACT

OBJECTIVES OF THE ACT

SEC. 101. The Congress hereby declares that the objectives of this Act are—

(a) to facilitate maximum war production during the war and to expedite reconversion from war production to civilian production as war conditions permit;

(b) to insure the fullest possible employment in private industry during the perod of transition to civilian production after the cessation of hostilities and thereafter;

(c) to provide for the coordination of governmental controls necessary for orderly transition from war production to civilian production, and for their relaxation at the earliest feasible time;

(d) to insure the orderly disposition and maximum economic use of surplus Government property;

(e) to insure all war contractors, small and large, speedy and equitable final settlement of claims under terminated war contracts and adequate interim financing until such final settlement;

(f) to use all practicable methods compatible with the foregoing objectives to prevent improper payments and to detect and prosecute fraud;

(g) to insure uniformity among Government agencies in basic policies and administration with respect to termination settlements, interim financing, surplus property disposition, and plant reconversion;

(h) to accomplish all of the foregoing in a manner to preserve and strengthen the American system of free competitive enterprise and prevent monopoly and monopolistic practices.

OFFICE OF DEMOBILIZATION

SEC. 102. (a) There is hereby established the Office of Demobilization, at the head of which shall be the Director of Demobilization. The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $15,000 per annum. The term of office of the Director shall be 2 years.

(b) The Director may, without regard to the civil-service laws, rules, and regulations and the Classification Act of 1923, as amended, employ and fix the compensation of such Deputy Directors and other officers and employees, and may make such expenditures for supplies, facilities, and services, as may be necessary to carry out the provisions of this Act.

SEC. 103. There is hereby established within the Office of Demobilization a National Demobilization Board, which shall be composed of seven full-time members. The Director shall act as Chairman of the Board, and shall appoint the members of the Board and fix their compensation and terms of office. The Board shall advise and assist the Director in the performance of his functions under this Act, and shall perform such other duties as the Director may prescribe. Any Deputy Director shall be eligible to serve as a member of the Board.

SEC. 104. The Director, in consultation with the Board, shall develop and coordinate unified programs, conforming to the objectives and policies prescribed in this Act, for dealing with the termination of war contracts and interim financing, the disposal of surplus property, and other problems relating to industrial reconversion and demobilization; and shall carry out the other provisions of this Act.

SEC. 105. (a) Until the termination of hostilities in the present war, as proclaimed by the President or by a concurrent resolution of the two Houses of Congress, the Office of Demobilization and the Director shall exercise all powers and authority and perform all functions under this Act under the supervision, direction, and control of the Office of War Mobilization, established by Executive Order Numbered 9347, dated May 27, 1943, and of the Director of War Mobilization. Thereafter the Office of Demobilization and the Director shall be subject only to the general direction and control of the President.

(b) The Director shall exercise his powers and authority to the fullest extent practicable through the personnel and facilities of contracting agencies and other established Government agencies. Subject to subsection (a), the Director may issue such directives on policy or operations to other Government agencies, and such regulations as may be necessary to carry out the provisions of this Act. Each such agency shall execute such directives, and conform to such regulations, and may make such further regulations as it deems necessary to carry out the provisions of this Act or any regulations of the Director.

(c) The Director shall consult with representatives of industry, large and small, labor, agriculture, and the heads of interested Government agencies, to the extent necessary to familiarize himself with the problems of all segments of the economy. From time to time, the Director and the Board shall hold public sessions to afford members of the general public reasonable opportunities to express their views concerning the formulation and operation of demobilization programs under this Act.

SURVEILLANCE BY CONGRESS

SEC. 106. (a) There is hereby established a Joint Congressional Committee on Demobilization (hereinafter called the "joint committee") to be composed of three Members of the Senate to be appointed by the President of the Senate, and three Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives. In case of any vacancy in the membership of the joint committee, a new member shall be appointed in the same manner as an original appointment, but until the vacancy is filled, the remaining members shall perform the functions of the joint committee. The joint committee shall select a chairman and a vice chairman from among its members.

(b) The Director shall confer with the joint committee from time to time concerning matters of broad general policy, and shall report to the joint committee not less frequently than every thirty days with respect to general policy decisions made by him. The joint committee, any of its members, or any person designated by it for such purpose, may attend any meetings of the Board.

(c) The expenses of the joint committee under this section shall be paid out of the contingent funds of the Senate and House of Representatives, one-half to be disbursed by the Secretary of the Senate and one-half to be disbursed by the Clerk of the House of Representatives, upon vouchers signed by the chairman.

REPORTS TO THE CONGRESS

SEC. 107. (a) In January, April, July, and October of each year, the Director shall submit to the Senate and House of Representatives a quarterly report on the exercise of his duties and authority under this Act, the status of surplus property disposal, contract terminations, termination settlements, interim financing, and such other pertinent information on the administration of this Act as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

(b) The Attorney General is directed to make surveys for the purpose of determining any factors which may tend to eliminate competition, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power during and after the period of reconversion. The Attorney General shall submit to the Congress within ninety days after the approval of this Act, and as such times thereafter as he deems desirable, reports setting forth the results of such surveys and making recommendations for the enactment of legislation concerning methods, plans, and procedures designed to stimulate and strengthen the system of private competitive enterprise.

TITLE II—DISPOSITION OF SURPLUS WAR PROPERTY

BASIC POLICY

SEC. 201. It is the policy of the Government to provide—

(a) for expeditious removal from the plant of any war contractor upon the termination of any war contract, of all materials allocable to such terminated war contract, for which the Government is responsible;

(b) for handling and disposing of surplus Government property so as to preserve and strengthen the American system of free competitive enterprise, to promote full employment, and to prevent monopoly.

FORMULATION OF PROGRAMS

SEC. 202. In order to carry out these policies the Director shall—

(a) formulate a complete program (1) for converting to peacetime production, as rapidly as possible after the end of hostilities, any Government-owned plants which will not be needed for national defense and are capable of use for peacetime production, and (2) for facilitating the most economic use or disposition of Government-owned plants which are not needed for national defense but are not capable of use for peacetime production;

(b) formulate a complete program for the handling, storage, control, and disposition, in accordance with this Act, of all contractor-owned materials for which the Government will be responsible upon the termination of war contracts;

(c) cause a complete survey to be made of all Government property and to gather such information with reference to inventories in the hands of private industry to provide information necessary for the formulation of such programs.

SURPLUS PROPERTY AGENCY

SEC. 203. The Director may designate one or more Government agencies to take charge of the handling, storage, control, and disposition of materials and surplus Government property in accordance with this title and may delegate to such agency or agencies some or all of the authority and discretion conferred upon him under this title and title IV of this Act.

DAMAGED PAGE(S)

REMOVAL OF MATERIALS ON TERMINATION

SEC. 204. (a) Subject to regulations of the Director, each contracting agency shall provide—

(1) for the submission by the war contractor to the contracting agency of statements, in such form and detail as it may prescribe showing the materials allocable to a terminated war contract for which the Government is responsible;

(2) for the removal of such materials by the Government within thirty days after the submission of such statements or within such longer period as the war contractor may agree;

(3) for the removal and storage of such materials by the war contractor at the risk and expense of the Government upon its failure so to remove them.

(b) No termination settlement shall be postponed or delayed for the purpose of disposing of materials allocable to any terminated war contract for which the Government is responsible.

(c) In order to facilitate their prompt removal and orderly disposition, the Director is authorized, subject to section 207, to take title to and possession of any materials of any war contractor, which are allocable to any terminated war contract and for which the Government is responsible, or to regulate the dispostion of such materials.

(d) Where Government-owned machinery, tools, equipment, or other property have been installed in any privately owned plant for the performance of one or more war contracts, the Government agency responsible shall promptly remove such property from such plant upon termination or completion of such war contracts, unless arrangements have previously been made for their retention by the war contractor.

DISPOSITION OF SURPLUS PROPERTY

SEC. 205. (a) Subject to regulations of the Director, each Government agency shall determine what property in its possession and control is surplus to its needs and responsibilities and shall promptly report all such surplus property to the Director. The War Department, Navy Department, and Maritime Commission, respectively, shall have sole and exclusive authority to determine what property in their possession and control is surplus to their needs and responsibilities, but the Director may determine that any property in the possession or control of any other Government agency is surplus to its needs and responsibilities.

(b) Subject to the provisions of this Act, the Director may dispose of any surplus property acquired by him or reported to him, by sale, exchange, lease, transfer, or other disposition, upon such terms and conditions as he deems proper, and may prescribe regulations to govern the disposition of such surplus property by other Government agencies.

SEC. 206. The following principles shall govern the disposition of surplus property under this Act:

(a) No property reported as surplus by any Government agency shall be disposed of to the public until it has been determined, under regulations of the Director, that such property is not needed by any other Government agency.

(b) Surplus materials shall be disposed of expeditiously and so as to use their economic value, but shall not be disposed of at times or in quantities such that the civilian market cannot absorb them without unduly disturbing the economy, or that factories producing them are forced to close down. Any surplus materials which cannot be disposed of domestically within a reasonable time without disrupting the economy shall be sold abroad, if this can be done without also unduly disrupting the domestic economy.

(c) So far as practicable, surplus materials shall be disposed of in quantities that will permit their acquisition by small purchasers.

(d) Surplus property shall not be sold to speculators and, so far as practicable, shall be distributed through regular distribution channels.

(e) Any surplus Government-owned plant suitable for peacetime production shall be disposed of unless its operation will result in production by the industry of substantially more goods than the market can absorb at reasonably competitive prices.

(f) No Government-owned plant shall be disposed of in a manner to creat monopoly, strengthen any existing monopoly, or otherwise foster monopoly. Such plants shall be disposed of so as to foster and encourage competitive enterprise and small business.

(g) Where compatible with the policies prescribed in this Act, surplus Government-owned plants shall be disposed of by sale; but where sale is not feasible, a plant may be leased for a period sufficiently long to determine the effect of its operation upon the economy.

(h) Any valid contract provision covering any Government property shall be respected in the disposition of such property.

(i) No Government agency shall dispose of any Government-owned plants for the production of aircraft, synthetic rubber, aluminum, magnesium, or steel, or any Government-owned shipyard or pipe line, unless such disposition is required by a valid contract provision in effect upon the enactment of this Act. The Director shall prepare a study of such plants and facilities and report to Congress his recommendation for their disposal.

(j) No surplus Government-owned plant or other surplus property shall be destroyed without a prior determination by two-thirds vote of the Board concurred in by the Director (1) that the plant or property is of no value or (2) that the destruction of the plant or property is required in order to avoid substantial injury to the industry or industries concerned. Any surplus property shall be reduced to scrap or disposed of as scrap only in accordance with regulations of the Director.

SEC.207. Nothing in this Act shall limit or affect the authority of the War Department, Navy Department, or Maritime Commission, respectively, to take over any materials allocable to any of their terminated war contracts or to dispose of such materials for the purpose of war production, or to authorize any war contractor to retain or dispose of such materials for the purpose of war prduction.

SEC. 208. The acquisition of materials under this Act by any Government agency shall not be subject to the provisions of section 3709 of the Revised Statutes or of any other law or regulation requiring advertisement or competitive bidding in connection with the acquisition of supplies or other property by Government agencies.

TITLE III—WAR CONTRACT TERMINATIONS

ADVANCE NOTICE

SEC. 301 (a) In order to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes, it is the policy of the Government to provide war contractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security.

(b) To carry out this policy, subject to regulations of the Director, each contracting agency shall—

(1) provide war contractors, to the fullest extent feasible, with notice of termination of any war contract at least thirty days in advance of the cessation of work thereunder;

(2) permit the completion of work in process under a terminated contract wherever such completion will result in a saving to the Government;

(3) permit the continuation of work under a terminated contract for the purpose of avoiding injury to plant and material; and

(4) protect war contractors against any additional costs and expenses resulting from any failure of the contracting agency to give notice of termination at least thirty days in advance of the cessation of work under the terminated contract.

(c) The Director shall have no authority under this Act to regulate or control the classes of contracts to be terminated by the contracting agencies, but shall consult and advise with the contracting agencies with a view to coordinating their procurement and termination programs, pooling of their requirements, working out methods and plans for cut-backs in production without termination, and assisting in planning the procurement and termination programs to best effectuate the policy of this Act.

SETTLEMENT OF TERMINATION CLAIMS

SEC. 302. (a) It is the policy of the Government to insure to every war contractor fair compensation for the termination of any war contract, including reasonable expenses incident to termination and settlement, reasonable expenses of removing and storing materials, and such allowance for profit on the work done on the uncompleted part of the contract as is reasonable under the circumstances, plus interest on the termination claim in accordance with subsection (c) of this section. Where any war contract does not provide for such fair compensation at the time of its termination, the contracting agency, subject to regulations of the Director, shall amend such war contract by agreement with the war contractor, or shall authorize, approve, or ratify an amendment of such war contract by the parties thereto, to provide for such fair compensation.

(b) Subject to regulations of the Director, any contracting agency may settle any termination claim under any war contract by agreement with the war contractor or by determination of the amount due on the claim without such agreement, or by any combination of these methods. Where any such settlement is made by agreement, it shall be final and conclusive and shall not be reopened, annulled, modified, set aside, or disregarded by any officer, employee, or agent of the United States, or in any suit, action, or proceeding, except (1) to the extent otherwise provided by the terms of the settlement; (2) for fraud; (3) upon renegotiation to eliminate excessive profits under the Renegotiation Act, unless exempt or exempted thereunder; or (4) by mutual agreement. Where any such settlement is made by determination without agreement, it shall likewise be final and conclusive to the same extent, unless the war contractor appeals, submits to arbitration, or brings suit in accordance with section 307 of this Act.

(c) Each contracting agency shall allow and pay interest on the unpaid balance of any termination claim under a prime contract at the rate of 3 per centum per annum for the period beginning sixty days after the date of filing of the claim, in substantially the form prescribed under this Act, and ending with the date of final payment, except that (1) if the contractor unreasonably delays the settlement of his claim, payment of interest shall be suspended for the period of such delay, and (2) if interest on any advance payment or loan, made or guaranteed by the Government, has been waived for the benefit of the contractor during the period after termination, the amount of interest so waived shall be deducted from the interest otherwise payable hereunder. In approving, ratifying, authorizing, or making termination settlements with subcontractors, each contracting agency shall allow interest on the termination claim of the subcontractor on the same basis applicable to a prime contractor. The Director may prescribe regulations to govern the computation of interest under this subsection.

SEC. 303. (a) The Director, by regulation, shall prescribe policies to govern the settlement of termination claims. Subject to regulations of the Director, each contracting agency shall establish methods, suitable to the conditions of various classes of war contractors, for determining fair compensation for the termination of war contracts on the basis of actual, standard, average, or estimated costs, or of a percentage of the contract price based on the percentage of completion of work under the terminated contract, or on any other basis, as it deems appropriate.

(b) Where, in connection with the settlement of his termination claim by a contracting agency, any war contractor makes settlements of the termination claims of his subcontractors, the contracting agency shall limit its review of such settlements with subcontractors to the minimum amount compatible with the public interest. Subject to regulations of the Director, any contracting agency (1) may approve, ratify, and authorize such settlements with subcontractors upon such evidence, terms, and conditions as it deems proper; (2) shall vary the scope and intensity of its review of such settlements according to the reliability of the war contractor, the size, number, and complexity of such claims, and other relevant factors; and (3) shall authorize war contractors to make such settlements with subcontractors without review by the contracting agency, whenever the reliability of the war contractor, the amount or nature of the claims, or other reasons appear to justify such action. The Director shall prescribe policies and standards to govern the contracting agencies in approving, ratifying, and authorizing such settlements in order to insure that their review of such settlements for these purposes is limited or omitted to the maximum extent compatible with the public interest. Any such settlement of a subcontract approved, ratified, or authorized by a contracting agency shall be conclusive and binding upon the United States to the same extent as a settlement under subsection (b)

of section 302 of this Act, and the war contractor making it shall not be liable thereon except for his own fraud.

(c) Subject to regulations of the Director, any contracting agency shall exercise supervision or control over payments to prime contractors on account of termination claims of subcontractors to such extent and in such manner as it deems necessary or desirable to insure the receipt of the benefit of such payments by the subcontractors.

(d) The Director, by regulations, shall prescribe policies and methods for the settlement by any contracting agency of some or all of the termination claims of a war contractor under contract with one or more (1) bureaus or divisions within a contracting agency, (2) contracting agencies, or (3) prime contractors and subcontractors, to the extent he deems such action necessary or desirable for expeditious and equitable settlement of such claims. The Director may assign any war contractor to a contracting agency for such settlement.

(e) Subject to regulations of the Director, any contracting agency may settle directly termination claims of subcontractors to the extent that it deems such action necessary or desirable for the expeditious and equitable settlement of such claims. In making such termination settlements any contracting agency may discharge the claim of the subcontractor by payment or may purchase such claim, and may agree to assume, or indemnify the subcontractor against, any claims by any person in connection with such claim or the termination settlement.

(f) Whenever the insolvency or bankruptcy of a war contractor, or termination of his war contract for default deprives his subcontractor of fair compensation for the termination of a subcontract, the contracting agency concerned may make such additional payment to such subcontractor as is necessary to provide such fair compensation. The Director shall prescribe standards, terms, and conditions to govern the exercise of this authority, and may direct such payments in such classes of cases as he deems proper.

INTERIM FINANCING

SEC. 304. (a) It is the policy of the Government to insure adequate interim financing, within thirty days after application therefor, to every war contractor having a termination claim or claims, pending their settlement.

(b) In order to carry out this policy, the Director, by regulations, shall prescribe methods for providing to any war contractor during the period between termination and settlement of one or more war contracts—

(1) interim financing under this Act representing not less than 90 per centum of the amount of his termination claim or claims, after deducting all liabilities to subcontractors and such advances, partial payments, and loans, previously made or guaranteed by the Government, as are available to such war contractor upon substantially the same terms and conditions as interim financing under this section;

(2) such additional interim financing as the Director deems necessary or desirable.

(c) The Director, by regulations, shall prescribe (1) the types of estimates, certificates, or other evidence to be required to support such interim financing; (2) the terms and conditions upon which such interim financing shall be made; (3) the classes of cases in which such interim financing shall be refused; and (4) such methods of supervision and control over such interim financing as he deems necessary or desirable to assure adequate and speedy interim financing to subcontractors of the war contractor.

(d) Whenever the amount of the termination claim or claims as stated by any war contractor for the purpose of obtaining interim financing under this section exceeds the amount finally determined to be due on such claim or claims, and the war contractor thereby obtains interim financing in excess of the amount he would otherwise have obtained, the war contractor shall be liable to the United States for a penalty on such excess interim financing. The contracting agency shall determine the amount of such excess interim financing, subject to regulations of the Director. The penalty shall be computed at the rate of 12 per centum per annum and for the period from the date such excess interim financing is received to the date on which such excess is repaid or extinguished. The obligation to pay such penalty and to repay any interim financing under this section shall constitute a debt due to the United States within the meaning of Revised Statutes, section 3466 (31 U. S. C., sec. 191).

(e) Subject to regulations of the Director, each contracting agency shall allow advance payments, previously authorized in connection with the performance of a war contract, to be used for expenses related to the termination settlement of such contract, to such extent and upon such terms as it deems appropriate.

(f) Subject to regulations of the Director, no interim financing made by any contracting agency under this Act shall extend beyond the settlement of the termination claim or claims of the war contractor involved, and such period thereafter as the contracting agency deems necessary for the liquidation of such interim financing in an orderly manner.

SEC. 305. (a) Subject to regulations of the Director, any contracting agency may make partial payments to any war contractor on account of any termination claim or claims, and may authorize, approve, or ratify any such partial payments by any war contractor to his subcontractors.

(b) Where any partial payment is made to any war contractor by any contracting agency or by another war contractor under this section, the provisions of subsection (d) of section 304 shall apply to such payment. Any excess payment shall be treated as a loan from the Government to the war contractor receiving it, and shall be payable upon demand. Where the partial payment was made by a war contractor and authorized, approved, or ratified by the Government, the war contractor making it shall not be liable for any excess payment in the absence of fraud on his part and shall receive payment or credit from the Government for the amount of such excess payment.

SEC. 306. (a) Subject to regulations of the Director, any contracting agency is authorized—

(1) to enter into contracts with any Federal Reserve bank, or other public or private financing institution, guaranteeing such financing institution against loss of principal or interest on loans, discounts, or advances or on commitments in connection therewith, which such financing institution may make to any war contractor or to any person who is or has been engaged in performing any operation deemed by such contracting agency to be connected with or related to war production, for the purpose of financing such war contractor or other person in connection with the termination of one or more such war contracts or operations;

(2) to make, enter into contracts to make, or to participate with any Government agency, any Federal Reserve bank or private financing institution in making loans, discounts, or advances, or commitments in connection therewith, for the purpose of financing any such war contractor or other person in connection with the termination of such war contracts or operations.

(b) Subject to regulations of the Director, any such loan, discount, advance, guaranty, or commitment in connection therewith shall be secured, if the contracting agency concerned deems it reasonably practicable, by either assignment of, or covenants to assign, the rights of such war contractor or other person in connection with the termination of such war contracts or operations, or in such other manner as the contracting agency may prescribe.

(c) Subject to such regulations as the Board of Governors of the Federal Reserve System may prescribe with the approval of the Director, any Federal Reserve bank is authorized to act, on behalf of the contracting agencies, as fiscal agent of the United States in carrying out the purposes of this Act.

(d) This section shall not limit or affect any authority of any contracting agency, under any other statute, to make loans, discounts, or advances, or commitments in connection therewith or guarantees thereof.

APPEAL

SEC. 307. (a) Whenever any war contractor has submitted a termination claim, in substantially the form prescribed under this Act, to the contracting agency responsible for settling it, and such claim has not been settled by agreement with the contracting agency, or only a part of such claim has been so settled, the contracting agency shall prepare written findings of the amount due on such claim or the unsettled part thereof, and shall deliver a copy of the findings to the war contractor within sixty days from the date of a demand for such findings by the war contractor.

(b) Whenever any war contractor is aggrieved by the findings of a contracting agency or by its failure to make such findings in accordance with subsection (a) of this section, he may, at his election—

(1) appeal to the Appeal Board or an umpire in accordance with subsection (d) of this section; or

(2) submit such claim or such part thereof, to arbitration, in accordance with subsection (e) of this section; or

(3) bring suit against the United States for such claim or such part thereof, in the Court of Claims or in a United States district court, in accordance with subsection (20) of section 24 of the Judicial Code (28 U. S. C. 41 (20)).

(c) Any proceeding under subsection (b) of this section shall be governed by the following conditions:

(1) A war contractor shall not be required to appeal from such findings within the contracting agency concerned before proceeding under subsection (b) of this section, but may do so in his discretion.

(2) If a war contractor does not initiate proceedings in accordance with subsection (b) of this section within ninety days after delivery to him of the findings by the contracting agency, or in case of failure to deliver such findings, within one year after his demand therefor, he shall be precluded thereafter from initiating any proceedings in accordance with subsection (b) of this section, and the findings of the contracting agency shall be final and conclusive, or if no findings were made, he shall be deemed to have waived such termination claim.

(3) Notwithstanding any contrary provision in any war contract, the Appeal Board, umpire, arbitrators, or court shall not be bound by the findings of the contracting agency, but shall treat such findings as prima facie correct, and the burden shall be on the war contractor to establish that the amount due on his claim exceeds the amount allowed by the contracting agency. The Appeal Board, umpire, arbitrators, or court may increase or decrease the amount allowed by the contracting agency.

(4) When a war contractor has initiated such proceedings by one method under subsection (b) of this section, he shall be precluded from initiating proceedings by any other method thereunder.

(5) Any such proceedings shall not affect the authority of the contracting agency concerned to make a settlement of the termination claim or any part thereof, by agreement with the war contractor at any time before such proceedings are concluded.

(d) (1) The Director shall appoint an Appeal Board composed of not less than three and not more than nine members, to sit in the city of Washington, and one or more umpires to sit in each judicial district, to hear appeals under this section. The Board may sit in sections of not less than three members. The Director shall designate the members of the Appeal Board and the umpires, and shall fix their term of office and compensation.

(2) The Director shall prescribe the practice and procedure to govern proceedings before the Appeal Board and the umpires, or may authorize the Appeal Board to prescribe such practice and procedure. The Appeal Board and any umpire shall have power to compel the attendance of witnesses and the production of evidence in accordance with regulations of the Director. Subject to the direction of the Director, the Appeal Board shall supervise the proceedings of the umpires, but shall have no power to review their decisions or refer to them cases filed with the Board. The decision of the Appeal Board or of any section of the Board, or of an umpire, shall be final and shall not be subject to review by any court or other agency.

(e) When a termination claim is submitted to arbitration in accordance with this section, the arbitration proceeding shall be governed by the United States Arbitration Act to the same extent as if authorized by an effective agreement in writing between the Government and the war contractor for such arbitration upon the conditions specified in subsection (c) of this section.

(f) Whenever any dispute exists between any war contractor and a subcontractor regarding any termination claim, either of them, by agreement with the other, may submit the dispute—

(1) to the Appeal Board or an umpire in accordance with subsection (d) of this section;

(2) to a contracting agency for mediation or arbitration in accordance with regulations which shall be prescribed by the Director.

(g) The Director shall prescribe regulations to carry out the provisions of this section.

COURT OF CLAIMS

SEC. 308. (a) For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than twenty commissioners in addition to those provided for by the Act of February 24, 1925 (ch. 301, 43 Stat. 964), as amended by the Act of June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions of said Acts shall apply to such additional commissioners in all respects as if they had been appointed thereunder without limitation as to nature of duties which they may be called upon to perform.

(b) The Attorney General, under such rules as the Court of Claims shall prescribe, may cause any and all persons with legal capacity to sue and be sued, wherever located, actually to be notified, or on specific order of the court, to be notified by publication, and if within the jurisdiction of the United States, at the discretion of the Attorney General, to be served with subpena, to appear as a party or parties in any suit or proceeding of any nature whatsoever pending in said court and to assert and defend their interests, if any, in such suits or proceedings, within such period of time prior to judgment as the Court of Claims shall prescribe. Upon failure so to appear, any and all claims or interests in claims of any such person against the United States, in respect of the subject matter of such suit or proceeding, shall forever be barred and the court shall have jurisdiction to enter judgment pro confesso upon any claim or contingent claim asserted on behalf of the United States against any party who, having been duly served with subpena, fails to respond thereto, to the same extent and with like effect as if such party had appeared and had admitted the truth of all allegations made on behalf of the United States. Upon appearance by any party pursuant to any such notice or subpena, the case as to such party shall, for all purposes, be treated as if an independent proceeding had been instituted by such party pursuant to section 145 of the Judicial Code, as amended, and as if such independent proceeding had then been consolidated, for purposes of trial and determination, with the case in respect of which the notice or subpena was issued, except that the United States shall not be heard upon any counterclaims, claims for damages or other demands whatsoever against such party, other than claims and contingent claims for the recovery of money hereafter paid by the United States in respect of the transaction or matter which constitutes the subject matter of such case, unless and until such party shall assert therein a claim, or an interest in a claim, against the United States, and the Court of Claims shall have jurisdiction to adjudicate, as between any and all adverse claimants, their respective several interests in any matter in suit and to award several judgments in accordance therewith.

(c) The jurisdiction of the Court of Claims shall not be affected by this Act except to the extent necessary to give effect to it, and no party shall recover judgment on any claim, or on any interest in any claim, in said court which such party would not have had a right to assert if this section had not been enacted.

PERSONAL FINANCIAL LIABILITY

SEC. 309. (a) Whenever any payment is made from Government funds to any war contractor or other person as a partial or final payment of the amount due on any termination claim or pursuant to any loan, guaranty, or agreement for the purchase of any loan entered into by the Government, no officer or other Government agent authorizing or approving such payment or settlement, or certifying the voucher for such payment, or making the payment in accordance with a duly certified voucher, shall be personally liable for such payment in the absence of fraud or bad faith on his part. In settling the accounts of any disbursing officer the General Accounting Office shall allow any such disbursements made by him notwithstanding any other provisions of law.

(b) For the purpose of making termination settlements or interim financing any Government agency is authorized, subject to any regulations prescribed by the Director, to rely upon such certificates of war contractors as it deems proper and to permit war contractors and other persons to rely upon such certificates without financial liability in the absence of fraud on their part.

THE GENERAL ACCOUNTING OFFICE

SEC. 310. The General Accounting Office is authorized to examine all records of any contracting agency relating to the settlement of any termination claim after the final settlement of such claim. Any other provision of law notwithstanding, the function of the General Accounting Office with respect to any termination settlement made, authorized, ratified, or approved by a contracting agency shall be confined to an examination of the records of the contracting agency for the purpose of determining (1) whether the settlement payments to the war contractor were made in accordance with the terms of settlement, and (2) whether such records or other information warrant a reasonable belief that the settlement was induced by fraud. Whenever the General Accounting Office believes that any settlement was induced by fraud, the Comptroller General of the United States shall report all of the facts relating thereto to the Congress, to the Director, to the Department of Justice, and to the contracting agency concerned, but shall not suspend or withhold, or direct, or require any contracting agency to suspend or withhold, by set-off or otherwise, any amounts owing to the war contractor by the United States under such settlement or otherwise and shall not suspend credit to any disbursing officer for any disbursements made by him under such settlement. In any such case the contracting agency on its own initiative may, or upon order of the Director shall, take such action as it deems appropriate to recover or withhold payments to such war contractor.

DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

SEC. 311. (a) Where any person has arranged to furnish or furnished to a contracting agency or to a war contractor any materials, services, or facilities related to the prosecution of the war, relying in good faith upon the apparent authority of an officer or agent of a contracting agency, a letter of intent, written or oral instructions, or any other request to proceed from a contracting agency, the contracting agency shall pay such person fair compensation therefor subject to regulations of the Director.

(b) Subject to regulations of the Director, whenever any formal or technical defect or omission in any prime contract, or in any grant of authority to an officer or agent of a contracting agency who ordered any materials, services, and facilities might invalidate the contract or commitment, the contracting agency (1) shall not take advantage of such defect or omission; (2) shall amend, confirm, or ratify such contract or commitment without consideration in order to cure such defect or omission; and (3) shall make a fair settlement of any obligation thereby created or incurred by such agency whether expressed or implied, in fact or in law, or in the nature of an implied or quasi contract.

(c) Where a contracting agency fails to agree on a settlement of any claim asserted under this section, the dispute shall be subject to the provisions of section 307 of this Act.

(d) The Director shall require each contracting agency to formalize all such obligations and commitments within such period as the Director deems appropriate.

TITLE IV—GENERAL PROVISIONS

RECORDS, FORMS, AND REPORTS

SEC. 401. (a) The Director shall establish policies for such supervision and review within the contracting agencies of disposition of property, termination settlements, and interim financing as he deems necessary and appropriate to prevent and detect fraud and to insure uniformity in administration. For this purpose he shall prescribe the records to be prepared by the contracting agencies and by war contractors or purchasers in connection with such disposition, settlements, and interim financing. He shall seek to reduce the amount of record keeping, reporting, and accounting in connection with the disposition of property, the settlement of termination claims, and interim financing to the minimum compatible with the reasonable protection of the public interest. Subject to regulations of the Director, each contracting agency shall prescribe forms for use by war contractors in connection with disposition of property, termination settlements, and interim financing to the extent it deems necessary and feasible.

(b) The Director shall require the Government agencies performing functions under this Act to prepare such information and reports regarding disposition of property, terminations of war contracts, settlements of termination claims, and interim financing, as he deems necessary to assist him in appraising their operations or to assist him or other Government agencies in performing their functions under this Act, and may prescribe the terms and conditions upon which such information and reports shall be made available to other Government agencies.

The Director may require any Government agency to furnish such information under its control as he deems necessary for the performance of his functions under this Act.

(c) The Director, by regulations, shall provide for making available to the War Production Board, the War Manpower Commission, and any other interested Government agency, such advance notice and other information on cutbacks in war production resulting from terminations or failures to renew or extend war contracts, as he deems necessary and appropriate.

(d) The Director shall report to the Department of Justice any information received by him indicating any fraudulent practices in connection with disposition of property, termination settlements, and interim financing, and may require the Department of Justice or any other Government agency to make such investigations as he deems necessary or desirable to detect fraud in connection therewith. Whenever he determines that the facilities of existing agencies are inadequate for that purpose, he may establish a unit in the Office of Demobilization to supplement and facilitate the work of existing agencies for that purpose.

PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

SEC. 402. (a) Until five years after the termination of hostilities in the present war is proclaimed by the President, or five years after the final settlement of a war contract involving $5,000 or more, or after the making of any contract for the disposition of property, whichever is the later, except to the extent authorized by the Director, (1) no natural person shall willfully secrete, mutilate, obliterate, or destroy, or cause to be secreted, mutilated, obliterated, or destroyed, any records of a war contractor or purchaser which relate to the negotiation, award, performance, payment for, renegotiation, interim financing, or cancelation or other termination, of such war contract, or disposition of such property, and (2) no corporation shall fail to preserve all such records within its possession, but a corporation shall not be liable for the accidental nonnegligent loss or destruction of records The Director may prescribe regulations for the destruction of any such records upon such terms and conditions as he deems appropriate. Any war contractor or purchaser shall allow any officer or agent of any interested Government agency, the General Accounting Office, or any committee of Congress reasonable access to such records. As used in this subsection, the term "records" includes (but is not limited to) books, ledgers, checks and check stubs, pay-roll data, vouchers, memoranda, correspondence, inspection reports and certificates, and interoffice reports and communications. Upon conviction for violation of any of the provisions of this subsection, any corporation shall be fined not more than $50,000 and any natural person not more than $10,000 or imprisoned for not more than five years, or both.

(b) The first section of the Act of August 24, 1942 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is amended to read as follows:

"The running of any existing statute of limitations applicable to any offense against the laws of the United States (1) involving defrauding or attempts to defraud the United States or any agency thereof whether by conspiracy or not, and in any manner, or (2) committed in connection with the negotiation, procurement, award, performance, payment for, renegotiation, interim financing, or cancelation or other termination, of any contract, subcontract, or purchase order which is connected with or related to the prosecution of the present war, or the disposition of property, shall be suspended until five years after the termination of hostilities in the present war as proclaimed by the President, or five years after the final settlement of such contract, subcontract, or purchase order, whichever is the later. This section shall apply to acts, offenses, or transactions where the existing statute of limitations has not yet fully run, but it shall not apply to acts, offenses, or transactions which are already barred by provisions of existing law."

(c) (1) Every person who makes or causes to be made, or presents or causes to be presented to any officer, agent, or employee of any Government agency any claim, bill, receipt, voucher, statement, account, certificate, affidavit, or deposition, knowing the same to be false, fraudulent, or fictitious, or knowing the same to contain or to be based on any false, fraudulent, or fictitious statement or entry, or who shall cover up or conceal any material fact, or who shall use or engage in any other fraudulent trick, scheme, or device, for the purpose of securing or obtaining, or aiding to secure or obtain, for any person any benefit, payment, compensation, allowance, loan, advance, or emolument from the United States or any Government agency in connection with the termination, cancelation, settlement, payment, negotiation, renegotiation, performance, procurement, or award of a contract with the United States or with any other person, and every person who enters into an agreement, combination, or conspiracy so to do, shall forfeit and refund any such benefit, payment, compensation, allowance, loan, advance, or emolument received as a result thereof and shall in addition pay to the United States the sum of $2,000 for each such act, and double the amount of any damage which the United States may have sustained by reason thereof, together with the costs of suit.

(2) The several district courts of the United States, the District of Columbia, the several district courts of the Territories of the United States, within whose jurisdictional limits the person, or persons, doing or committing such act, or any one of them, resides or shall be found, shall, wheresoever such act may have been done or committed, have full power and jurisdiction to hear, try, and determine such suit, and such person or persons as are not inhabitants of or found within the district in which suit is brought may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct.

(d) The provisions of section 35–A of the Criminal Code (18 U. S. C., sec. 80) shall apply to any statement, representation, bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition made or used or caused to be made or used for any purpose under this Act or under any regulations pursuant to this Act.

OTHER FUNCTIONS OF THE DIRECTOR

SEC. 403. In addition to his other functions under this Act, the Director shall—

(a) prepare a study to determine the extent to which it will be necessary to continue price controls, rationing and allocation of materials, with a view to relaxing those controls at the earliest possible time, and shall report his recommendations thereon to Congress as promptly as possible;

(b) promote the training of personnel for property disposal, for termination settlement and interim financing by contracting agencies, war contractors, and financing institutions;

(c) collaborate with the Smaller War Plants Corporation in protecting the interests of smaller war contractors in obtaining fair and expeditious termination settlements, interim financing, and other reconversion financing;

(d) promote decentralization of the administration of termination settlements and interim financing by fostering delegation of authority within contracting agencies and to war contractors, to the extent he deems necessary and feasible.

MISCELLANEOUS PROVISIONS

SEC. 404. (a) Subject to regulations of the Director, each contracting agency shall have authority (1) to make any contract necessary and appropriate to carry out the provisions of this Act, (2) to amend by agreement any existing contract, either before or after notice of its termination, on such terms and to such extent as it deems proper; and (3) in settling any termination claim, to agree to assume, or indemnify the war contractor against, any claims by any person in connection with such termination claims or settlement. This subsection shall not limit or affect in any way any authority of any contracting agency under the First War Powers Act, 1941, or under any other statute.

(b) The Director, by regulations, shall prescribe the amount and kind of evidence required to identify any person as a war contractor, or any contract, agreement, or purchase order as a war contract for any of the purposes of this Act. To the extent provided in such regulations, any determination, made in accordance with such regulations, that any person is a war contractor, or that any contract, agreement, or purchase order is a war contract, shall be final and conclusive for any of the purposes of this Act.

(c) There are hereby authorized to be appropriated such sums as may be necessary for administering the provisions of this Act.

(d) All policies and procedures relating to disposition of property, termination of war contracts, termination settlements, and interim financing, prescribed by the Director of War Mobilization or any contracting agency, and in effect upon the effective date of this Act, shall remain in full force and effect unless and until superseded by regulations prescribed by the Director in accordance

with this Act, or by the contracting agency with the approval of the Director.

(e) Nothing in this Act shall be deemed to impair or modify any war contract or any term or provision of any war contract, which is otherwise valid, without the consent of the war contractor involved.

USE OF APPROPRIATED FUNDS

SEC. 405. Any contracting agency is authorized—

(a) to use for the purposes authorized in this Act any funds which have heretofore been appropriated or allocated or which may hereafter be appropriated or allocated to it, or which are or may become available to it, for such purposes or for the purposes of war production or war procurement;

(b) to use any such funds appropriated, allocated, or available to it for expenditures for or in behalf of any other contracting agency or corporation for the purposes authorized in this Act;

(c) to determine by agreement, joint estimate, or any other method authorized by the Director, the part of any expenditure made pursuant to subsection (b) hereof to be paid by each contracting agency concerned and to make transfers of funds between such contracting agencies accordingly. Transfers of funds between appropriations carried upon the books of the Treasury shall be made by the Secretary of the Treasury in accordance with joint requests of the contracting agencies involved.

DELEGATION OF AUTHORITY

SEC. 406. (a) The Director may delegate any authority and discretion conferred upon him by this Act to Deputy Directors or the head of any Government agency, and may authorize successive redelegations of such authority and discretion, upon such terms and conditions as he may prescribe.

(b) Subject to any limitations imposed by the Director, the head of any Government agency may delegate any authority and discretion conferred upon him or his agency by or pursuant to this Act to any officer or employee of such agency or to any other Government agency, and may authorize successive redelegations of such authority, and discretion.

(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon them individually by or pursuant to this Act.

(d) Nothing in this Act shall prevent the Director from exercising any authority conferred upon him by any other statute.

DEFINITIONS

SEC. 407. As used in this Act—

(a) The term "prime contract" means any contract, agreement, or purchase order entered into by a contracting agency and connected with or related to the prosecution of the war; and the term "prime contractor" means any holder of one or more prime contracts.

(b) The term "subcontract" means any contract, agreement, or purchase order connected with or related to the performance of any prime contract or of any other subcontract; and the term "subcontractor" means any holder of one or more subcontracts.

(c) The term "war contract" means a prime contract or a subcontract or both; and the term "war contractor" means any holder of one or more war contracts.

(d) The terms "termination", "terminate", and "terminated" mean the termination or cancelation, in whole or in part, or work under a prime contract for the convenience or at the option of the Government (except for default of the prime contractor) or of work under a subcontract for any reason except the default of the subcontractor.

(e) The term "material" includes any article, commodity, equipment, accessory, part, assembly, or product of any kind.

(f) The term "Government agency" means any executive department of the Government, or any administrative unit or subdivision thereof, any independent agency in the executive branch of the Government, and any corporation owned or controlled by the United States, and includes any contracting agency.

(g) The term "contracting agency" means any Government agency which has been or hereafter may be authorized to make contracts pursuant to section 201 of the First War Powes Act, 1941, and the Reconstruction Finance Corporation and its subsidiaries, and the Smaller War Plants Corporation.

(h) The term "termination claim" means any claim by a war contractor under a terminated war contract.

(i) The term "interim financing" includes advance or partial payments, loans, discounts, or advances or commitments in connection therewith, and guarantees of loans, discounts or advances or commitments in connection therewith and any other type of financing related to termination settlements.

(j) The term "Director" means the Director of Demobilization.

(k) The term "person" means any individual, corporation, partnership, firm, association, trust, estate, or other entity.

(l) The term "property" means any supplies, materials, equipment, facilities, plants, real estate and improvements, or other property owned by the United States or by any Government agency.

(m) The term "surplus property" means any property which has been determined to be surplus to the needs of the Government agency in possession or control of it, in accordance with title II of this Act; and the terms "surplus materials" and "surplus plants" mean any materials or plants owned by the United States or by any Government agency and so determined to be surplus property.

(n) The term "purchaser" means any person who acquires surplus property by purchase or by lease or in any other manner.

SHORT TITLE

SEC. 408. This Act may be cited as the "Industrial Demobilization Act of 1944".

[S. 1893, 78th Cong., 2d sess.]

A BILL To provide for the establishment of an office of War Mobilization and Adjustment, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—DEVELOPMENT AND EXECUTION OF WAR MOBILIZATION AND POST-WAR ADJUSTMENT PROGRAMS

SEC. 101. The Congress hereby declares that the objectives of this Act are—

(a) To achieve the necessary war production which is indispensable to the speediest victory through the maximum mobilization and utilization of the Nation's natural and industrial resources and of the manpower not in the armed forces, and through the wartime stabilization of the civilian economy;

(b) To insure that the great momentum of the war mobilization which is bringing victory to our arms will not be lost, but will be reconverted into a peacetime transition program providing for full production, full employment at adequate wages, and full consumption in a steadily expanding civilian economy with rising standards of living for all; and

(c) To provide for the development of a unified program to secure the foregoing objectives, and the necessary coordination of the activities of the Federal agencies engaged in or concerned with: Production, procurement, distribution, or transportation of military or civilian supplies, materials, and products; economic stabilization; war production cut-backs; settlement of claims under terminated war contracts; disposition of surplus war property; resumption and expansion of civilian goods production; the training and placement of returning servicemen and civilian workers in war and peacetime industry and agriculture; and other programs affecting war mobilization and peacetime production and employment.

SEC. 102. (a) There is hereby established the Office of War Mobilization and Adjustment (hereinafter called the Office), at the head of which shall be the Director of War Mobilization and Adjustment. The Director shall be appointed by the President, with the advice and consent of the Senate, and shall receive compensation at the rate of $15,000 per annum.

(b) There is hereby established in the Office a Bureau of Programs headed by a Chief, who shall be appointed by the President, with the advice and consent of the Senate, and shall receive compensation at the rate of $12,000 per annum.

(c) The following Administrations are hereby created within the Office of War Mobilization: The Surplus War Property Administration and the Retraining and Reemployment Administration. Each of these Administrations shall be headed by an Administrator, appointed by the President, with the advice and consent of the Senate; and each shall receive compensation at the rate of $12,000 per annum.

(d) The Director, the Chief of the Bureau of Programs, and the several Administrators, except as herein otherwise provided, may employ and fix the compensation and define the authority and duties of such officers and members, and may make such expenditures for supplies, facilities, and services as may be necessary to carry out the provisions of this Act. All appointments shall be made in accordance with the provisions of civil-service laws and regulations and Classification Act of 1923, as amended, except that expect technical and professional personnel may be employed without regard to these laws and regulations where deemed desirable by the Director, the Chief of the Bureau of Programs, or the several Administrators, as the case may be.

SEC. 103. (a) It shall be the function of the Director, subject to the direction and control of the President—

(1) to unify the programs and activities of Federal agencies engaged in or concerned with: Production, procurement, distribution, or transportation of military or civilian supplies, materials, and products; economics stabilization; war production cut-backs; settlement of claims under terminated war contracts; disposition of surplus war property; resumption and expansion of civilian goods production; the training and placement of returning servicemen and civilian workers in war and peacetime industry and agriculture; and other programs affecting war mobilization and peacetime production and employment; and

(2) to issue such directives on program, policy, and operations to the Federal agencies as may be necessary to carry out the programs developed and the policies established by the Office under this Act. It shall be the duty of all such agencies and departments to execute such directives, and to supply such data and make such progress reports to the Office as the Office may require.

(b) The Office may perform the functions, exercise the powers, authority, and discretion conferred on it by this Act through such officials and such agencies and in such manner as the Director may determine.

SEC. 104. It shall be the function of the Chief of the Program Bureau, subject to direction and control of the Director—

(1) to review the programs of the several Federal agencies which are subject to the direction of the Office and to recommend to the Director such modifications as are deemed necessary to assure fulfillment of the objectives of this Act;

(2) to make periodic progress reports to the Director which shall assess current performance on approved programs;

(3) to require Government agencies performing functions under this Act to prepare such data and reports as are necessary to permit the review of the programs and the making of the progress reports required in this section;

(4) to evaluate and report on current and projected public and private activities affecting war mobilization and peacetime full production and employment, and survey continuously the necessity for additional programs or legislation as will achieve the objectives of this Act. The surveys shall include (without being limited thereto) programs and measures for public works, housing, taxation, industrial and regional development, expansion of foreign trade, social security, and the maintenance of competitive enterprise; and

(5) to consult and cooperate with State and local governments, industrial, labor, agricultural, and other groups (national and local) concerning the fulfillment of the objectives of the Act.

(b) The Office shall transmit to the Senate and House of Representatives within three months after the approval of this Act and thereafter at intervals not exceeding three months a summary of the progress reports, program reviews, surveys, and legislative and other recommendations prepared by the Bureau.

SEC. 105 (a) There is hereby created within the Office a National Production-Employment Board (hereinafter called the Board) consisting of three representatives of industry, three representatives of labor, three representatives of agriculture, and three representatives of the consuming public, who shall be appointed by the President: *Provided*, That each member of the Board may designate an alternate to sit and act for him. The Board shall elect a chairman from among its own members and shall, by a majority vote of its members, determine its rules of procedure, except as otherwise defined by this Act, and the powers conferred on the Board by this Act may be exercised by a majority vote.

(b) It shall be the general function of the Board, and each member individually, to endeavor to secure maximum cooperation and participation of the American people in war mobilization and post-war adjustment, and to provide the Office with such advice and guidance as the members deem will promote the objectives of this Act. The Board and each individual member thereof shall have full access to all data in the Office bearing on the effectiveness and adequacy of War Mobilization and Post-War Adjustment.

(c) The Chief of the Bureau of Programs shall serve as the executive secretary of the Board. He shall prepare, under the direction of the Board, such reviews of programs, reports, and studies as the Board may request, and for these purposes shall exercise on behalf of the Board the full facilities of the Office and the powers conferred on the Office by this Act. The Board may make to the Congress, to the Director, the several administrators of the Office, and to other Federal officials performing functions subject to the direction of the Office, such recommendations relating to legislation, policy, and operations as it may deem necessary to fulfill the purposes of this Act. All such recommendations and all reports and studies issued by the Board shall be supplemented by such statements or comments as any individual member may wish included.

(d) The Director, the several administrators of the Office, the Chairman of the War Production Board, and such other Federal officials performing functions subject to direction by the Office as shall be designated by the Board, shall meet with it at least once a month and shall consult and advise with it on all basic policies and programs which are subject to direction by the Office;

(e) All Federal agencies performing functions subject to the jurisdiction of the Office shall, with respect to policies, programs, and operations affecting industrial segments or geographical areas, consult and advise with joint councils which shall be representative, in the particular area or industrial segment, of industry, large and small, labor, and wherever appropriate, agriculture. All such industrial segment or area joint councils shall be appointed by the Director, with the advice and consent of the Board.

(f) All appointments of members or alternates to the Board, and of members of the area and industry to the joint councils, may be made without regard to any of the provisions of law with respect to the appointment and compensation of employees of the United States. Members and alternates of the Board and of the joint advisory councils shall serve without remuneration, except for per diem allowances as shall be prescribed by the Director, not to exceed $25 each day spent in the actual performance of duty, plus necessary traveling and other expenses incurred while so engaged.

(g) The Office shall provide for the Board an adequate technical and clerical staff which shall serve under its immediate supervision. The Director shall appoint, with the advice and consent of the consumer representatives, a consumer's counsel who shall, together with such staff as he may need, serve under the supervision of the consumer representatives in providing the Board with full information on the effect of current and projected programs and policies on consumer interests.

TITLE II—WAR PRODUCTION CHANGES AND RECONVERSION

SEC. 201. Subject to the direction and control of the Office, the Chairman of the War Production Board shall—

(a) Review the military production programs of the several Federal procurement agencies for the purpose of coordinating such programs and synchronizing curtailments with the resumption of civilian goods production;

(b) Establish unified policies and programs for the expansion, transfer, and curtailment of military production and for the resumption and expansion of

civilian production covering specific products, firms, industry segments, and geographical areas;

(c) Develop programs for the curtailment of military production and industrial reconversion based upon assumed military developments on stated dates.

SEC. 202. The Chairman of the War Production Board, or the official to whom he shall delegate the authority and responsibilities set forth in section 201, shall advise and consult with a Production Program and Reconversion Committee, which shall consist of one representative each of the following: War Department, Navy Department, State Department, Maritime Commission, Foreign Economic Administration, War Manpower Commission, Office of Price Administration, Smaller War Plants Corporation, Office of Civilian Requirements, the vice chairman for Labor Production and Manpower Requirements, and such other representatives of such Federal agencies as the Chairman of the War Production Board may designate.

SEC. 203. In order to enable the War Production Board effectively to discharge its responsibilities under this title, each Federal procurement agency shall continuously survey its material and product requirements and shall report to the War Production Board as soon as practicable every projected change in its procurement program, including the award of new contracts and the modification, transfer, or termination of contracts previously awarded. The procurement agencies shall supply such other data as the War Production Board shall require for the purpose of this title. The procurement agencies shall maintain such records and make such reports to the War Production Board as the Board may require to appraise the compliance of the procurement agencies with the programs and policies established by the Board.

SEC. 204. In formulating programs and policies for war production and reconversion, the War Production Board and the Production Program and Reconversion Committee shall, so far as practicable, give effect to the following objectives:

(a) Necessary war production for our armed forces and those of our allies shall be expedited and maintained without impairment.

(b) Curtailments of war production shall be programed so as to permit the utilization without delay of the released manpower and facilities in the production of other war products or civilian goods.

(c) Resumption and expansion of production of specific civilian items shall, so far as practicable, be in the order of essentiality to the domestic civilian economy and to the needs of reconstruction abroad.

(d) Subject to the overriding requirements of war production, full consideration shall be given to the production and manpower resources of the industrial segments, geographic areas, and concerns affected by curtailment and reconversion programs. The small business contractor shall not be discriminated against in the termination of contracts because of slightly higher costs of production, nor shall small business concerns, if war contracts are not available to them, be prevented from entering civilian goods production fields merely because larger concerns in the same fields are still engaged in war production. Resumption of civilian goods programs shall give particular consideration to smaller business concerns, especially in those fields which have been most adversely affected by the necessities of war production.

SEC. 205. The Chairman of the War Production Board may establish special boards for the purpose of hearing appeals from decisions of the War Production Board with respect to production curtailment and reconversion on the grounds of discrimination.

TITLE III—DISPOSITION OF SURPLUS WAR PROPERTY

SEC. 301. It shall be the function of the Administrator of the Surplus War Property Administration (hereinafter in this title referred to as the Administrator and Administration, respectively), subject to the direction and control of the Director—

(a) To handle and dispose of surplus war property upon such terms as he shall deem necessary, subject to the provisions of this Act;

(b) To have general supervision and direction of the transfer of any surplus war property in the possession of any Government agency to any other Government agency;

(c) To assign surplus property for disposal by the fewest number of Federal agencies practicable and to centralize in one disposal agency responsibility for the disposal of all property of the same type or class;

(d) To prescribe regulations and issue directives necessary to provide, so far as practicable, for uniform and wide public notice concerning surplus property available for sale, and for uniform and adequate time intervals between notice and sale so that all interested purchasers, large and small, shall have a fair opportunity to buy; and

(e) To prescribe regulations and issue directives necessary to effectuate the provisions of this title; and no Government agency shall transfer or dispose of surplus war property in contravention thereof.

SEC. 302. The Administrator shall regularly advise and consult with a Surplus War Property Committee. The committee shall be composed of one representative each of the State Department, Treasury Department, War Department, Navy Department, Justice Department, Reconstruction Finance Corporation, Smaller War Plants Corporation, United States Maritime Commission, War Production Board, Office of Price Administration, Bureau of the Budget, War Food Administration, Federal Works Agency, Civil Aeronautics Board, and the Foreign Economic Administration.

SEC. 303. Each Government agency shall submit to the Administrator such information and reports with respect to surplus war property in such form and at such times as the Administrator shall direct. When requested by the Administrator, a Government agency shall execute such documents for the transfer of title or for any other purposes or take such steps as the Administrator shall determine to be necessary or proper to transfer or dispose of surplus war property or otherwise to carry out the provisions of the Act.

SEC. 304. In formulating regulations and directives governing the handling and disposition of surplus war property, the Administrator and Committee on Surplus War Property shall give effect to the following objectives:

(a) Aid maximum war production by facilitating the transfer of property which may be surplus in one Government agency to meet the requirements of other Government agencies;

(b) Promote full production and employment of labor and natural resources in all sections of the country;

(c) Aid small business concerns to achieve and maintain maximum production and to preserve and strengthen their competitive position in an economy of free enterprise;

(d) Aid ex-servicemen to establish and maintain their own small business enterprises;

(e) Avoid economic dislocations resulting from uncontrolled dumping of such surpluses;

(f) Discourage monopolistic practices and insure fair prices to the consumers;

(g) Sell such surpluses in such quantities and on such terms as will discourage disposals to speculators or for speculative purposes;

(h) Establish and develop foreign markets through the programed exports of such surpluses; and

(i) Obtain the highest return for the Government consistent with the foregoing objectives.

SEC. 305. The Administrator may perform the functions and exercise the powers, authority, and discretion conferred on the Administration by this Act by such officials and such agencies and in such manner as the Administrator, subject to the provisions of this Act, may determine. In carrying out the purposes of this Act, the Administration may utilize the services of any other Government agency.

SEC. 306. Each disposal agency, immediately upon assignment thereto of any surplus property and before undertaking disposal to the public, shall transmit detailed inventories thereof to the Bureau of the Budget, the Smaller War Plants Corporation, and the Foreign Economic Administration, which agencies shall have priority in acquiring such surplus for the purposes and in the order and manner following:

(a) The Bureau of the Budget shall have the right to acquire any surplus property for transfer to any Government agency which needs it. Such transfer shall be made upon such terms and with such charge to the appropriation of the transferee for the value thereof as the Bureau of the Budget shall prescribe in accordance with existing law.

(b) The Smaller War Plants Corporation, subject to the authority of the Director, shall have the right to acquire any surplus property for sale or other transfer to small business when in its judgment such acquisition is required to carry out the policy of the Act to preserve and strengthen the competitive position of small business.

(c) The Foreign Economic Administration shall have the right to acquire any surplus property in the United States for sale or other transfer abroad in such quantities as the head of the agency charged with the disposal of such property and the Foreign Economic Administration shall agree upon.

SEC. 307. The Administrator may prescribe regulations to provide for the disposition of surplus property to States, political subdivisions thereof, and tax-supported institutions as follows:

(a) Surplus property which has been acquired by the Federal Government for school, classroom, or other educational use may be transferred to the Office of Education in the Federal Security Administration for donation to tax-supported educational institutions.

(b) Surplus property for which the estimated cost of handling, storage, and sale would exceed the estimated proceeds of commercial sale, may be donated to States, political subdivisions thereof, or tax-supported institutions.

(c) Any surplus property may be sold or leased to States, political subdivisions thereof, or tax-supported institutions at discounts not to exceed 50 per centum of the sale or lease value thereof, as the case may be.

SEC. 308. (a) Whenever surplus property proposed for sale or other transfer to private interests shall comprise a plant or group of plants or other property representing an original cost to the Government of $1,000,000 or more, the Administrator, before consummating the sale or transfer shall cause to be published in the Federal Register the terms and other pertinent circumstances of the proposed sale or transfer and shall request the Attorney General to render an opinion in writing whether, in his judgment, the proposed sale or transfer will encourage monopoly or undue concentration of industry or commerce, or restrain competition substantially. If the Attorney General shall find that such proposed sale or transfer will encourage monopoly or undue concentration of industry or commerce, or restrain competition substantially, the Administrator shall not consummate the proposed transfer. If the Attorney General shall fail to render an opinion within thirty days of receipt of a request therefor (or within such additional period not to exceed sixty days which he may specifically request) the Administrator may proceed with the proposed sale or transfer on his own responsibility. The failure of the Attorney General to render an opinion shall not be construed as a bar to prosecution for violation of the antitrust laws.

(b) Every contract of sale (or other transfer) of the property referred to in subsection (a) shall contain suitable provisions prohibiting subsequent transfers within a period of three years next succeeding the effective date of the contract unless such subsequent transfer is approved by the Administrator. Before approving an application for subsequent transfer, the Administrator shall refer the matter to the Attorney General as required in subsection (a) of this section.

(c) Every contract for the sale, or lease for two years or more, of a plant shall be made upon the condition that the purchaser, lessee, or transferee, and their transferees, if any, shall maintain the plant in substantial operation and production for a period of two years next succeeding the effective date of the contract, and that upon breach of such condition, the Government may recover the plant upon return of the consideration due.

(d) Every agency engaged in the disposition of surplus property shall maintain in each of its disposal offices full records of its inventories of surplus property and of each of the disposal transactions negotiated by such office and shall make such records available for inspection by the public.

(e) At least ten days before advertising for bids or posting notice of sale or transfer by other means, every disposal agency shall notify the nearest regional office of the Smaller War Plants Corporation of the proposed terms of disposal specifying the minimum quantities on which bids or offers will be received and the credit terms, if any, for the purpose of permitting the Smaller War Plants Corporation to advise the disposal agency if, in its judgment, the proposed terms discriminate against small business purchasers.

SEC. 309. No option to purchase or otherwise acquire Government-owned property which is held by any person shall be honored except in strict conformity with the price and other terms of such option. In the event of failure validly to exercise such an option, the property shall be disposed of in accordance with the applicable provisions of this Act.

SEC. 310. No Government agency shall dispose of any Government-owned plant for the production of aircraft, aircraft parts, synthetic rubber, aluminum, magnesium, or steel, or any Government-owned ship, shipyard, or pipe line, which represents an original cost to the Government of $1,000,000 or more: *Provided*, That the Administrator may authorize the lease of such surplus property for a term not to exceed three years in accordance with the provisions of section 308. The Administrator shall prepare a report on the alternative means of disposal of such property and shall submit such report together with his recommendations to Congress.

SEC. 311. Except as may be otherwise provided by existing law, all proceeds from the sale or other disposition of surplus property under this Act shall be deposited and covered into the Treasury as miscellaneous receipts.

SEC. 312. The Administrator shall transmit to Congress in January, April, July, and October of each year a report of operations under this Act, including regulations, orders, and directives of the Administrator, and summaries of each disposal in which the property involved represented an original cost to the Government of $1,000,000 or more.

TITLE IV—RETRAINING AND REEMPLOYMENT OF WAR WORKERS AND RETURNING SERVICEMEN

SEC. 401. The Congress hereby declares that the objectives of this rule are—

(a) To facilitate the most effective mobilization and maximum utilization of the Nation's manpower in the prosecution of the war;

(b) To maintain maximum employment in the transition from war to peacetime production;

(c) To provide for the coordination of the demobilization of servicemen with employment opportunities under a policy of demobilizing servicemen as rapidly as the military situation permits;

(d) To provide necessary training of ex-servicemen and war workers; and

(e) To provide the necessary economic assistance to returning ex-servicemen and war workers in connection with transfer, training, and reemployment.

SEC. 402. It shall be the function of the Administrator of the Retraining and Reemployment Administration (hereinafter referred to as the Work Administrator), subject to the discretion and control of the Director, to establish a unified reemployment program covering recruitment, training, transfer, and placement of returning servicemen and workers in war ind civilian production. The reemployment program shall include provision for compiling full detail on declining and increasing employment opportunities (by industrial segments, geographic areas, and plants) resulting from curtailment in war production and resumption of civilian production; for placement of workers in appropriate employment; and for interim financing of workers, including returning servicemen, pending placement in accordance with the authority of this title. The Work Administrator shall prescribe regulations and issue directives to Federal agencies necessary to effectuate the objectives of this title and all such Federal agencies shall be governed by these.

SEC. 403. The Work Administrator shall consult and advise with a Committee on Retraining and Reemployment, consisting of one represenative from each of the following: Department of Labor, Veterans' Administration, War Manpower Commission (for the War Manpower Commission and the Federal Security Agency), War Production Board, Selective Service System, Civil Service Commission, War Department, Navy Department, and such other Federal agencies as the Work Administrator may designate.

SEC. 404. (a) The War Production Board and other agencies having data on production changes and employment opportunities shall furnish the Work Administrator full information on current and projected schedules of military and civilian production in such detail as the Work Administrator shall deem necessary.

(b) The Director of Selective Service, with the assistance of the War and Navy Departments, shall furnish data on current and projected rates of discharge of servicemen providing such details concerning the servicemen as the Work Administrator may deem necessary and is practicable for the Selective Service and the War and Navy Departments to furnish. It shall be the duty of the War and Navy Departments to anticipate so far as practicable, the forward programs of demobilization of servicemen, and to cooperate with the Director of the Selective Service System and the Work Administrator in furnishing full data on such demobilization.

SEC. 405. The Work Administrator may perform the functions and exercise the powers, authority, and discretion conferred on him by this Act through such officials and such agencies and in such manner as the Work Administrator, subject to the provisions of this Act, may determine. In carrying out the purposes of this Act, the Administration may utilize the services of any other Government agency.

SEC. 406. In order to facilitate the recruitment, training, transfer, and placement of workers and ex-servicemen, the Work Administrator is hereby authorized to pay the cost of transportation of workers and ex-servicemen, including transportation of dependents and household effects, from their last previous residence to new jobs, in accordance with such regulations as may be prescribed by the Work Administrator: *Provided*, That such transportation allowances shall not exceed the allowances provided for Government employees in the Standard Government Traveling Regulations, as approved by the President.

SEC. 407. (a) In order to give effect to the objectives of this title the Work Administrator is authorized to provide to any person vocational free education or training, of not more than six months of full-time study or its equivalent in part-time study.

(b) Every person, while he is receiving vocational education or training on a full-time basis, shall be entitled to receive a maintenance allowance at the rate of $50 a month if he has no dependent, $75 if he has one dependent, and $100 if he has two or more dependents. The Work Administrator may provide for maintenance allowances, under such conditions and in such amounts as may be prescribed by regulations, to servicemen and civilian workers receiving education or training on a part-time basis; but no such allowance shall be paid to any person receiving training on the job other than under an approved apprenticeship program.

(c) The Work Administrator shall from time to time make available information respecting the need for general education and for trained personnel in the various trades, crafts, and professions. He shall make educational and vocational guidance generally available.

SEC. 408. Section 2 of the Mustering-Out Payment Act of 1944 is amended to read as follows:

"SEC. 2. Mustering-out payment for persons eligible under section 1 shall be made in equal monthly installments. The first installment shall be paid at the time of final discharge or ultimate relief from active service, and the remaining installments shall be paid in successive months thereafter. Each installment shall be at the rate of $100 if the member of the armed forces has no dependent, $125 if he has one dependent, and $150 if he has two or more dependents. All persons shall be entitled to two installments plus an additional installment for each year of active service or major fraction thereof. Any person who has served outside the continental limits of the United States or in Alaska shall be entitled to a further additional installment."

SEC. 409. (a) Every unemployed person who qualifies under the provisions of section 410 of this Act shall, within 1 week after registration with a public employment office designated by the Work Administrator, be entitled to placement in a suitable job or shall be entitled to "interim placement benefits" whose payment shall be administered in accordance with section 410. Such benefits shall be at the rate of $20 for each week of total unemployment if such person has no dependent, $25 if he has one dependent, $30 if he has two dependents, or $35 if he has three or more dependents: *Provided*, That in the case of a person other than an ex-serviceman, the maximum benefit paid shall not exceed 80 percent of his regular weekly earnings, as defined by the Work Administrator; *Provided, further*, That any qualified person shall be entitled to reduced benefits for periods of partial unemployment in such amounts as the Work Administrator shall prescribe on the basis of the approximate proportion borne by such person's partial unemployment to total unemployment: *And provided further*, That no benfits for partial unemployment shall be paid in excess of an amount which when added to the person's earnings during the period of partial unemployment for which paid benefits on account of partial unemployment shall exceed eight-fifths of the benefits he would receive for total unemployment for such period.

(b) No payment for "interim placement benefits" shall be made under this title to any person for any period unless (1) he registers with and continues to report to a public employment office, or other agency designated in regulations of the Work Administrator, and (2) he is available for suitable work: *Provided, however*, That the conditions contained in (1) and (2) of this subsection shall not be applicable during periods of illness or disability.

(c) The Work Administrator shall by regulation prescribe disqualifications, in such cases and under such conditions as he finds will promote the purposes of this Act, for leaving suitable work voluntarily and without good cause, for failure to apply for suitable work, and for failure to accept suitable work when offered. No such disqualification shall be for a period of more than 5 weeks.

(d) No work shall be deemed suitable for the purposes of this section, and benefits shall not be denied under this Act to any otherwise qualified employee for refusing to accept work if—

(1) the position offered is vacant due directly to a strike, lock-out, or other labor dispute;

(2) the remuneration, hours, or other conditions of work offered are substantially less favorable to the employee than those prevailing for similar work in the locality, or the rate of rumuneration is less than the union wage rate, if any, for similar work in the locality;

(3) as a condition of being employed he would be required to join a company union or to resign from or refrain from joining any bona fide labor organization;

(4) acceptance of the work would require him to engage in activities in violation of law or which, by reason of their being in violation of reasonable requirements of the constitution, bylaws, or similar regulations of a bona fide labor organization of which he is a member, would subject him to expulsion from such labor organization; or

(5) acceptance of the work would subject him to loss of substantial seniority rights under any collective-bargaining agreement between a bona fide labor organization and any other employer.

(e) In determining whether or not any work is suitable for an employee for the purposes of this Act, the Work Administrator shall consider, in addition to such other factors as he deems relevant, (1) the current practice, recognized by management and labor with respect to such work; (2) the degree of risk involved to such employee's health, safety, and morals; (3) his physical fitness and prior training; (4) his experience and prior earnings; (5) his length of unemployment and prospects for securing work in his customary occupation; and (6) the distance of the available work from his residence and from his most recent work.

(f) For the purposes of this Act, no voluntary leaving of work shall be deemed to have been without good cause if the Work Administrator finds that such work would not have been suitable for the purposes of this section of this Act.

(g) No payment shall be made under this section to any person for any period for which he receives vocational education or training allowance under this title.

(h) Any officer or agency of an employer, or any employee representative, or any employee acting in his own behalf, or any person whether or not of the character hereinbefore defined, who shall willfully fail or refuse to make any report or furnish any information required by the Work Administrator in the administration of this title, or who shall knowingly make or aid in making or cause to be made any false or fraudulent statement or report when a statement or report is required to be made for the purposes of this title, or who shall knowingly make or aid in making or cause to be made any false or fraudulent statement or claim for the purpose of causing benefits or other payment to be made or not to be made under this title, shall be punished by a fine of not more than $10,000 or by imprisonment not exceeding one year, or both.

(i) Any person who violates any provision of this title, the punishment for which is not otherwise provided, shall be punished for each such violation by a fine of not more than $1,000 or by imprisonment not exceeding one year, or both.

SEC. 410. (a) The following shall be eligible for the "interim placement benefits" prescribed in section 409:

(1) Any ex-serviceman.

(2) Any person who within twelve months prior to his first application for such benefits was employed—

(i) ninety days in a Federal agency;

(ii) ninety days as an officer or member of the crew of a vessel on the navigable waters of the United States; or

(iii) one hundred and eighty days in agricultural labor.

(3) Any person who at the time of the first application is a "qualified employee" as defined in section 3 of the Railroad Unemployment Insurance Act as amended.

(4) Any person who at the time of first application for benefit would be eligible for unemployment compensation by virtue of his or her earnings under the laws of a State, in "covered employment," if all other qualifications were waived: *Provided, however*, That such State has arranged with the Work Administrator

to pay and administer the "interim placement benefits" prescribed in this title, either by contract, or through the provisions of State law or through such provision as the State or State unemployment compensation agency, may make effective as agent of the Federal Government. For purposes of this subsection "covered employment" shall include employment subject to the unemployment compensation law of such State, and, upon election by such State to administer, any or all of the following classes of employment:

(i) in establishments of less than eight persons not covered by a State unemployment compensation law,
(ii) In State and local governmental agencies,
(iii) in nonprofit organizations, and
(iv) in domestic work.

(5) Any person, in a State which has failed within six months after the enactment of this Act to make an arrangement in accordance wtih the preceding subsection, with the Work Administrator, and who within twelve months prior to his first application for such benefits had earned not less than $150 in employment covered by title II of the Social Security Act (providing old-age and survivors insurance benefits): *Provided*, That such person's benefits shall be subject to the reduction, in accordance with the regulations of the Work Administrator, on account of any unemployment compensation paid him or payable to him by a State agency for the same period of unemployment.

(b) Payments of "interim placement benefits" to persons in categories (1), (2), and (5) shall be made through such agencies as the Work Administrator shall designate, including any Federal agency and any State or State unemployment compensation agency, which has arranged to administer benefits to persons in category (4); payments to persons in category (3) shall be made through the Railroad Retirement Board; and payments to persons in category (4) shall be made through the respective States which have arranged with the Work Administrator to make such payments pursuant to section 410 (a).

(c) The Work Administrator shall from time to time certify to the Secretary of the Treasury for payment to such States or State unemployment compensation agencies as administer the payment of benefits under this title pursuant to this section, with respect to such periods as the payment of such benefits is so administered, advances, grants, or reimbursements, equal to all disbursements of benefits pursuant to this title, minus 50 per centum of the amount of unemployment benefits that would have been payable had this title not been enacted as determined under the unemployment compensation law of such State as of the date of the enactment of this Act.

The Railroad Retirement Board shall from time to time certify to the Secretary of the Treasury for payment to the railroad unemployment insurance accounts in the unemployment trust fund the amounts by which payments by it under this section exceed 50 per centum of the amounts which would have been payable under the provisions of the Railroad Unemployment Insurance Act in effect at the time that this Act was approved.

The Work Administrator shall certify from time to time for payment to a State or State unemployment compensation agency, or for credit to the Railroad Unemployment Insurance Administration fund such amounts as he determines (i) are equal to administrative expenses theretofore reasonably incurred by such State or the Railroad Retirement Board in the administration of any of the provisions of this title by arrangement with the Work Administrator, and (ii) have not been included in the basis of any previous certification under this paragraph.

All persons otherwise eligible in accordance with this title for "interim placement benefits" shall be eligible during the period beginning thirty days after the day of enactment of this Act until twenty-four months after the cessation of hostilities: *Provided*, That such benefits shall be available to a serviceman discharged from or relieved from service after the termination of hostilities for a period of twenty-four months following his discharge.

TITLE V—MISCELLANEOUS

SEC. 501. As used in this Act—

(a) "Government agency" means any executive department, independent establishment, agency, commission, board, bureau, division, administration, office, service, independent regulatory commission or board, and any Government-owned or Government-controlled corporation.

(b) "Surplus war property" and "surplus property" mean any property, real or personal, including but not limited to plants, facilities, equipment, machines, accessories, parts, assemblies, products, commodities, materials, and supplies in the possession of or controlled by any Government agency, whether new or used, in use or in storage, which are in excess of the needs of such agency or are not required for the performance of the duties and functions of such agency and which are determined, subject to the authority of the Office of War Mobilization, to be surplus by such agency.

(c) "Disposal agency" means any Government agency which has been assigned the operating function of disposing of surplus war property by the Administration.

(d) "Tax-supported institution" means any scientific, literary, educational, public health, or public welfare institution which is supported in whole or in part through the use of funds derived from taxation by the United States, the District of Columbia, or any State or any political subdivision thereof, any Territory or possession of the United States, or any political subdivision of any such Territory or possession.

(e) "Disposal" means sale, conditional sale, or lease, for cash, credit, or other property; donation; or any other transfer.

(f) "Ex-servicemen" shall include all persons who served in active duty in the military or naval forces of the United States on or after September 16, 1940, and has been relieved or discharged from such active duty on conditions other than dishonorable.

(g) The term "State" shall include the several States, the District of Columbia, and the Territories of Hawaii and Alaska.

SEC. 502. There are authorized to be appropriated such sums as may be necessary or appropriate to carry out the purposes and provisions of this Act.

SEC. 503. The provisions of this Act shall become effective immediately, unless otherwise provided in the Act, and unless otherwise provided shall be terminated twenty-four months after the cessation of hostilities.

SEC. 504. If any provision of this Act, or the application of such provision to any person or circumstance, is held invalid, the remainder of this Act or the application of such provision to persons or circumstances, other than those as which it is held invalid, shall not be affected thereby.

"SEC. 505. This Act may be cited as the 'War Mobilization Adjustment Act of 1944'."

The CHAIRMAN. Before we hear from Senator Murray, may I read a letter from Senator George to the committee?

(The letter referred to is as follows:)

UNITED STATES SENATE,
SPECIAL COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING,
June 8, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Senate Military Affairs Committee,
Washington, D. C.

DEAR SENATOR REYNOLDS: I understand that the Military Affairs Committee tomorrow expects to consider S. 1730 and S. 1893, which deal with substantially the same subjects.

As you know, the Post-war Committee has had extended hearings on the subject covered by both bills. It has just concluded a series of hearings on unemployment compensation.

The Post-war Committee will meet tomorrow—June 9—for the purpose of studying the testimony in reference to unemployment compensation and to study the various proposals that have been made with reference to amendments to the unmployment compensation act.

The so-called G. I. bill is now before the conferees and I hope that the conference report on that bill may be ready in the near future. I do not believe it is wise or possible to frame legislation on social security until the final form of that bill is known.

The Post-war Committee will also give study next week to a proposal of Mr. W. L. Clayton with reference to the form of surplus property disposal legislation. It also will consider certain suggestions that have been made in reference to the creation of an Office of Demobilization.

The Post-war Committee's study of all of these subjects should be complete in the very near future, and I hope it will be possible for the Military

Affairs Committee to defer any final consideration of these bills until it can give consideration to the studies of the Post-war Committee.

I recognize the urgent necessity of having legislation on these subjects and I feel very strongly that Congress should not take any extended recess until such legislation is passed, but I do not feel that the short additional time required for the Post-war Committee to complete its studies can be other than helpful.

Sincerely yours,

WALTER F. GEORGE, *Chairman.*

The CHAIRMAN. All right, Senator Murray.

(Discussion regarding the handling of S. 1730 and S. 1893.)

Senator MURRAY. Mr. Chairman, what Senator George says there is quite true. The subject of the proper legislation on the disposal of surplus property is very important and will require very considerable study yet before we can have a bill that should be presented to the Senate.

Mr. Clayton has suggested a bill, but his bill doesn't spell out the program at all, and would really constitute a sort of blank-check proposal for him to handle the problem of disposal of surplus property.

I think that we need a very carefully prepared bill on that, and for that reason I have left it out of S. 1730. I think that it should be separate legislation. The provisions in S. 1893, covering this same subject, I think are inadequate, and I feel it would be very unwise to adopt the provisions that are contained in S. 1893.

The same is true with reference to unemployment compensation. The George committee has been holding hearings on that and is holding a hearing today, at which time they intend, I think, to determine what their views will be on that subject. I think that is one of the most important parts of this legislation.

Now there are two bills, S. 1730 and S. 1893. S. 1730 was presented by Senator George and myself, and S. 1893 was presented by Senator Kilgore. Both bills are before our subcommittee and I think that we should delay having the subcommittee make a report to the full committee until Senator George concludes his meeting today and gives us some advice on what he thinks should be done.

The CHAIRMAN. Are there any comments by any of the members of this committee?

Senator GURNEY. Senator Murray has asked that we delay action, so there isn't anything we can act on.

Senator KILGORE. Mr. Chairman, I would like to get some consideration of the two bills by the committee, and I was going to suggest that we take them up in executive session next week. There have been no hearings on S. 1893; in fact that bill has not been before Senator Murray's subcommittee or any subcommittee. It is still before the full committee, I am informed by the clerk. I didn't know that until yesterday, when the clerk so informed me.

With reference to the question raised on that, I prepared an amendment to the bill which incorporates Mr. Clayton's suggestions in his report, or rather his suggestions on surplus property, taken verbatim from his report, adding thereto only the penalty clause which he suggests should be added.

Frankly, we are going to have repetitions of this Brewster matter, and plenty of them, unless we get this contract termination or reallocation under centralized control in some way, and get it speedily; we are

going to have a lot of trouble on our hands, over manpower in particular, and various other things.

(Discussion off the record.)

Senator KILGORE. I should like, next week, to have a discussion of the two bills. I have a reprint of S. 1893 here, with the amendments that have been suggested by various people, and it has been joined in by five other members of the Military Affairs Committee.

The CHAIRMAN. Senator Murray, will you please repeat your suggestion for the benefit of the members of the committee?

Senator MURRAY. I suggest that we defer taking any action this morning on these two bills and await the results of Senator George's meeting today. I understand that he is preparing a report from his committee in which he will embody, I suppose, the ideas of his committee with reference to these various problems. It seems to me, inasmuch as the Senate has set up his committee for the purpose of studying these post-war problems, that this committee should listen to what he has to say. It seems to me that any legislation that we might recommend, which would go counter to their recommendations, would meet with very serious opposition.

What we want to do is to get some legislation here which we can pass, and that is what I want. I am not interested in whether my bill, S. 1730, in which Senator George and I joined, is accepted or not. I would just as soon have it rejected, if that is the sentiment of this committee.

There has been considerable pressure brought to bear on me with reference to the other bill. Telegrams were sent by the unions all over the State of Montana, in which they demanded that I reject this bill and accept the other bill. I am, of course, in an embarrassing position. I joined with Senator George in presenting S. 1730, and I don't like to cold-bloodedly run out on him and accept another bill which I don't think is as good as the bill we have presented here.

I would like to call attention to a few differences between the two bills.

The surplus property provisions, left out of S. 1730, are carried in S. 1893. That is to say, they have provisions in S. 1893 for surplus property.

Now, the reason that we left them out is that the problem of developing the backward areas of the country and protecting the small businessman and the small farmer is still being worked out by the Smaller War Plants Corporation. We are cooperating with the Smaller War Plants Corporation in working out a bill on the disposal of surplus property which will be really effective and which will protect the small businessman and not allow their property to all get into the hands of the big speculators of the country. If you are going to have a bill that is going to carefully handle that subject it has got to be carefully prepared.

Now, with reference to the power of the Director who is to be set up under these two bills, which propose to set up a Director, S. 1730 has one set of ideas on that and S. 1893 has a different set of ideas.

S. 1730 gives the Director power to carry out only those plans that are authorized under existing laws, including the War Powers Act. Where such plans are not authorized by law he must come to the Congress for legislation. It does not extend the War Powers Act into the reconversion period.

S. 1893 gives the Director power to carry out any plans that he develops. That is equivalent to the extension of the War Powers Act into the reconversion period.

S. 1730 sets up advisory boards for various groups, and provides for joint meetings of those boards. Senate bill 1893 sets up an over-all board to coordinate with the Director. In other words, the board would have equal power with the Director. It would seem to me that if you set up a board that is going to have equal power with the Director, you are going to have nothing but conflict. The Director ought to be in supreme control and the board should be merely advisory to him. Of course, the board would have a powerful influence. A well-selected board would be able to perform a very important service in advising the Director, but the Director should be the man in control of the program.

Title II of S. 1730 has to do with cut-backs in war production, cut-backs and cancelations. It spells this out in detail based on our experience and study of the *Brewster case.* It provides for a full advance notice of contract terminations and cut-backs so that they may be able to prepare to handle the situation when the cancelation comes around; and it provides for the development of plans for other production, or for the utilization of the plants in civilian production, if possible. It provides full and specific protection for small business. It also protects against continuation of war contracts merely for the purpose of keeping the men working. When it becomes necessary to terminate these contracts they ought to be terminated. They ought not to be compelled to continue the production of war materials when they don't need them any more.

Senate bill 1893 covers this subject only in general terms; it doesn't spell it out at all; whereas, S. 1730 spells it out very carefully, and I call your attention to pages 10, 11, and 12 of S. 1730, which deal with this subject.

On pages 10, 11, and 12 we go into the thing in detail, providing exactly how this subject of termination of war contracts should be handled, and if these provisions were in effect, there could be no *Brewster case.*

Senator HILL. Mr. Chairman, may I ask the Senator a question?

The CHAIRMAN. Senator Hill.

Senator HILL. I quite agree with what the Senator suggested about the George committee. We certainly want to have the benefit of their suggestions and recommendations. It wouldn't be wise in any way for this committee to try to get ahead of the George committee. But as I understand the parliamentary situation, the George committee has no power to report legislation. Any legislation on this subject, as I understand it, will come out of this committee and must come out of this committee. The George committee will make its recommendations and report, but this committee is going to share responsibility with the George committee; we are going to have a very great responsibility on us in the disposition of these billions of dollars' worth of war property.

I can't think of a more important responsibility, so far as the postwar world is concerned, so far as anything except something directly connected with the war is concerned, than this; and I don't know why this committee shouldn't begin at least to think about this thing and consider this thing and discuss it.

What do you think of that, Senator Murray?

Senator MURRAY. I think that is right.

Senator HILL. We are going to have a tremendous responsibility. After all, when the bill comes out it is going to be this committee's bill.

The CHAIRMAN. Have any of you any idea when the George committee will submit its report, its final report?

Senator MURRAY. I believe next week.

Senator KILGORE. I was about to join with Senator Murray in requesting that we take no action now or discuss either bill today, but fix a date, if possible, next week, and as early as possible next week, when we can have both sides presented. That is my idea.

The CHAIRMAN. Suppose we sit next Tuesday, then.

Senator BRIDGES. When is the George committee report coming out?

Senator KILGORE. I understand it will be today.

Senator MURRAY. I believe it will be next Thursday.

Senator BRIDGES. I don't think we ought to hold our committee meeting until we have that report and have a chance to study it.

Senator MURRAY. They are having a meeting today at which they are going to formulate their ideas on unemployment compensation. They have been holding hearings on that for the last week, and now they are going to get together and determine what their position is going to be in connection with unemployment compensation. Then they intend to prepare a report, but I don't believe the report will be ready until late next week.

Senator HILL. What do you think, Senator Murray, and you Senator Kilgore—our regular meeting day is Friday—what do you think about letting this go over until next Friday? Does that suit you?

Senator KILGORE. The only reason I feel that it should be set for a special day is that we always have an agenda on Friday.

Senator HILL. Put this down first on Friday.

Senator KILGORE. Then you throw everything out which is on the agenda, and we always have a regular bunch of work to go through, just as we have today. If we have it on a special day, with just one matter on the agenda, we are much better off.

Senator HILL. My thought would be to put it down for next Friday and not consider anything else that day.

The CHAIRMAN. Suppose that I call the meeting immediately after the report is submitted by the George committee—how would that be?

Senator HILL. That would be all right.

The CHAIRMAN. Then if they submit it on Tuesday, we can hold the meeting on Wednesday; if they submit it Wednesday, we will hold it Thursday. Is that satisfactory?

Senator HILL. Yes.

The CHAIRMAN. If that is no objection, then, the meeting will be called immediately after the submission of the George report.

(Whereupon, at 12:10 p. m., consideration of S. 1730 and S. 1893 was concluded for the time being.)

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

WEDNESDAY, JUNE 14, 1944

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The committee met, pursuant to notice, at 10:45 a. m., in the committee room in the Capitol, Senator Robert R. Reynolds (chairman) presiding.

Present: Senators Reynolds (chairman), Wallgren, Kilgore, Murray, and Austin; also Senator Pepper.

Also present: Mr. Herbert Schimmel, of the Kilgore subcommittee staff, and Mr. B. M. Gross, of the Murray subcommittee staff.

The CHAIRMAN. The committee will come to order.

Mr. Mayor, we know how busy you are and we are very desirous of having your observations and comments.

If you have a paper prepared that you prefer to read for the benefit of the committee it will be all right; if you prefer to talk extemporaneously we will be glad to have you do so.

Would you prefer that we inquire as you go along or would you prefer to wait until at least you have finished your preliminary statement?

Mr. LAGUARDIA. I think questions will be very helpful.

The CHAIRMAN. At any time?

Mr. LAGUARDIA. Yes.

STATEMENT OF HON. FIORELLO LaGUARDIA, MAYOR OF NEW YORK CITY

Mr. LAGUARDIA. Mr. Chairman and members, I appreciate this opportunity. I have testified on the subject several times before committees of the Senate and the House.

I want to make one point, and that is that definite, specific, legislation on contract termination and provisions for transformation to peacetime industry cannot be enacted too soon.

Such legislation cannot be premature for the simple reason that, if there is no need for it, it is there ready to be used. And at the peace it will take some time to build the necessary machine to administer this gigantic job, and it will be a gigantic and difficult one.

We all know that it took several months before we got into full wartime produtcion. When we did get into full wartime production things started to happen on all fronts. We acquired the offensive and are maintaining it.

We will require time to shift back into normal peacetime conditions, and we are apt to face some very difficult periods.

A great deal of thought and serious consideration has already been given to war contract termination. The proposals made seem to be fair and equitable to industry.

There has been to date no specific plan offered to care for the human element, that is, the war workers and workers in industry generally, and the discharged veterans, discharged soldiers and sailors.

We have never been confronted with a more difficult problem, yet that should not deter us from facing it courageously and solving it constructively.

All the stability sought to be maintained through an equitable contract-termination policy or plan will be entirely destroyed if no provision is made for the workers in these plants and industry.

In other words, the job is only half done if the Government provides first, notice of termination; second, inventory; third, payment for that inventory; fourth, payment of completed or semicompleted production, immediate settlement of the 90 percent, or whatever it may be, and review, if desired on the part of the contractor.

What will happen?

A contractor naturally will immediately terminate activities and shop around for bargains before he resumes production, and in many instances he may not resume at all. He may wait.

He may wait to see what the situation may be; what taxes are going to be; and it will grow progressively, and the number of unemployed will increase.

Senator KILGORE. Mayor LaGuardia, hasn't it been your experience that unemployment is always progressive; if you get any large group unemployed the very lack of consuming power there makes more people unemployed?

Mr. LAGUARDIA. Absolutely. And, strange as it may seem, it isn't only contagious but it is infectious.

In other words, if we have large unemployment in New York City you will feel it out in Iowa, you will feel it down South; cotton, agriculture feel it immediately, and you get started into a vicious circle and it just topples over.

I lived through that very difficult period, gentlemen.

I assumed office as mayor in January 1934.

We had reached a peak around '36 where we had 360,000 cases on relief; average 3 to a case, and a million people were on relief.

The Kilgore bill faces this problem squarely and seeks to set up specific legislation to care for it and the machinery to carry out its provisions.

I think that is more satisfactory than leaving it to an Executive order.

I think Congress will be happier about it, and specific responsibility will be placed in the administration provided in the bill.

The bill is, of course, susceptible to being perfected before it is reported out.

The task requires the very best personnel available in the entire country, because so much depends upon it.

Now, the costs of carrying out the provisions of the bill may seem at first blush to be great, but, gentlemen, I can assure you, from the experience we had during the period of unemployment, that if Congress fails to act the cost to the country——

Senator KILGORE (interposing). Do you mean just the administrative cost?

Mr. LAGUARDIA. No; I mean the cost of carrying it out.

Senator KILGORE. Yes.

Mr. LAGUARDIA. The cost to the country will be from 20 to 50 times more than to do this intelligently and constructively.

First, there is a definite agency of Government set up, with the power to maintain stability in employment and prevent a sudden and complete break-down of the purchasing power of the people.

Senator KILGORE. Mayor LaGuardia, isn't that very fact one of the prime essentials of getting our private industry to functioning quickly? With the buying power to purchase their products there is going to be the incentive to come back quickly; isn't that right?

Mr. LAGUARDIA. There must be no interruption in that buying power and, though it may seem costly, it will not be, because we are creating wealth as we maintain it.

Therefore I think, if power is given for the intelligent termination of contracts and provision for continued employment, that a great deal of the money which would otherwise be needed for relief or unemployment allowance would not be used.

Therefore it seems to me that the Army, the Navy, and other war-procurement agencies of the Government should be left intact and with all the powers they have now, to continue orders, to increase orders, for the prosecution of the war.

We should leave them alone on that entirely.

When any contract reaches the point that the procurement agency may reasonably know that they will need no more of that given product, it should serve notice on the administration provided in the Kilgore bill, notice that orders will not be increased and that within a given amount of time it may start to reduce the production.

That sets the machinery in motion for that particular plant or yard or factory, in the hands of the administrator, and that plant then starts to prepare for gradual transformation to peacetime production, civilian needs; or if it is producing anything that can normally be used and is needed for civilian use in peacetime, it can continue to produce that during the time that its employees are being placed elsewhere or it, the plant, adjusts itself to the new conditions.

Now, I want to make one point clear, because it will become very important.

A great deal of thought is given now to surplus supplies and material, and I will discuss that later, because you will find that disposition of surpluses will conflict with everything you have in mind in this bill.

But any material or supplies or product that goes into production after notice that it isn't any longer needed for war purposes, then it becomes available for normal needs through regular channels of trade.

That will, in and of itself, to a large extent pay for the cost of the transition period of that particular plant.

Let me explain:

Take such products as aluminum bricks, cement, textiles, that we know we need, we know the world needs, production should continue.

A few days ago in New York City notice was given to the aluminum plant of termination of contract.

Now, aluminum is aluminum, and that plant produces aluminum in bricks.

Rather than throw 3,000 men out of work suddenly and paying them unemployment insurance, if they continue to make that aluminum there will be a market for it sometime somewhere, and you have reduced your cost of taking care of those people in the transition period.

That aluminum stored away will be more useful to us than the silver that we now have stored away.

I don't want to irritate any of my western friends on that.

Senator WALLGREN. As a western friend I will say that I think aluminum will surpass silver in some of the uses for it.

Senator KILGORE. Isn't there a tremendous market for aluminum in the way of kitchen utensils and other requirements?

Mr. LAGUARDIA. Yes.

I wouldn't mark that as available. We might have to store it, we might have to keep it, and we may be very happy to have it, provided of course that the raw material is available.

And that is what I mean by continuing production in any given commodity or product that will be needed for civilian consumption in peacetime.

Now, it is evident that in many instances that will not be possible.

Where, for instance, a plant is making tanks, if they convert to tractors it will take some time; and those men should be employed to make that transition or that transformation of the plant.

Where they are making fighter planes or artillery, guns of one kind or another, obviously we cannot store that up.

And, therefore, we must provide for the workers of that plant just as we provide for the money that is invested in that plant.

No one suggests that a contractor should be left high and dry with a cold notice of termination. Everyone recognizes the necessity of an equitable, fair, and just adjustment.

And that applies equally true, and for the very same reasons, to the men who are working on a weekly or monthly wage.

Now, the Kilgore bill recognizes that responsibility and it provides frankly for unemployment compensation during a given period.

Now, gentlemen, unless we do that, what will happen?

The men, the workers, will go on the present unemployment compensation, which is not enough, in many instances, and not of sufficient duration.

Then that reduces the purchasing power, and other activities will be hit, adding to the problem; and then one day we will realize we are back to relief and W. P. A.

That is enormously expensive.

I am certain that the cost of carrying out the provisions of this bill and tiding over that critical period will be much less than the cost of W. P. A. plus local relief.

That went into billions of dollars.

And, nothing is produced.

Now, I strongly recommend that wherever possible production be continued for useful purposes, even if the time of weekly employment

must be reduced, to the amount provided for unemployment wages.

Therefore, you will have something, you will have wealth back of the cost of taking care of these people.

Senator KILGORE. Mr. Mayor, I would like to ask you a question there on that point:

In this question of cut-backs there are frequently a number of plants making the same items, probably dealing with various procurement agencies, one plant with one procurement agency, another plant with another.

Don't you think the system of cutting back production by central control so that the cut-backs may be allocated where they can be most easily adjusted rather than this cutting plants completely, is a better system?

Mr. LAGUARDIA. Oh, of course. The cutting plants completely is going to cause chaos in the industry and in the labor field. There is no question about it.

Senator KILGORE. And that must be centrally controlled.

For instance, if they have contracts for 2,500 planes of a definite type made in five plants, a central agency selecting a cut-back of plane number rather than a complete stoppage of one or two plants to meet the cut-back.

Don't you think that is the best system?

Mr. LAGUARDIA. Yes. Even though it costs a little more.

Senator KILGORE. Yes.

Mr. LAGUARDIA. Now, all this is just cost of the war.

Gentlemen, after the war ends you will see the enormous amount of material that will be declared surplus—guns, cannon, tanks, planes, everything.

The Army and Navy must not be criticized for that. That is their job. They must provide sufficient weapons and supplies and transportation to meet every possible military situation, with no thought of the end of the war at any given time. They have to assume that they have to continue.

Senator KILGORE. In other words, they have to look at the blackest side of the picture all the time.

Mr. LAGUARDIA. Absolutely. And they shouldn't be criticized for that; although we are going to see that what we are going to have on hand will be fantastic.

They should be praised for it.

Part of that cost is to keep our country going, and, relatively, it will not be so large, but it will look big in figures.

Now, gentlemen, we are spending about $266,000,000 a day for the war.

I believe it will take, oh, I would say, at least 70 percent of a year's cost of the war for the first year following the end of the war, with a gradual tapering down.

That includes also a public-works program, and I would like to go into that as a concomitant of the purpose and scope of the Kilgore bill.

Senator KILGORE. Now, on that line, you spoke of surplus guns and tanks which we know we are going to have.

We are also going to have surplus valves and screws and bolts and things of that kind on hand.

Isn't it then your opinion that the disposal of property should be directed by the same agency, so that it will go into building up industry rather than curtailing the building back up of private industry by dumping it on the market?

Mr. LaGuardia. Senator, I would have but one short paragraph in this bill on surplus, on disposition of surplus supply, and I would strike everything else out.

I would say: "The director is hereby authorized to dispose of surplus supply in any manner not inconsistent with the intent and purpose of this bill."

And I now predict, gentlemen—I lived through this after the last war—I say now, and, perhaps no one on this Hill and no one in the country will agree with me, I say whatever provision you make for disposal of surplus supplies—if it really provides for the sale of that surplus—the Congress of the United States will stop that sale within 6 weeks after it starts.

Now, may I say what happened after the last war?

I hardly got my clothes out of camp and came back to the House when all sorts of plans for the disposal of surplus supplies were offered, and we started off with a bang. Everybody was going to buy an automobile, and food was available and machinery was available. And, lo and behold, industry woke up and said "stop it."

Not a single automobile or truck was brought back from the other side, not a locomotive was brought back. Very little of anything was brought back at all; and we had depots and warehouses all over this country, gentlemen, for years afterwards. We couldn't do anything else.

Now, the whole purpose here is to reestablish production.

We will need some of those valves, we will need some of the material that you have, we will need all the surgical instruments and medical supplies that you will be able to give us; but that should be limited to Federal Government, State government, and political subdivisions of the State government.

Senator Kilgore. I want to interrupt at that point with this idea to see what you think of it:

We will take the shipyards, for instance, we know what they are going to face. Most of those workers are what we call construction workers. And there are certain other industries that have been built up with construction workers. The quickest thing to get started with is construction. And certain of these supplies can be administered to getting production to rolling until new supplies can be made.

Isn't that right?

Mr. LaGuardia. If it goes direct into creating or producing other commodities.

Senator Kilgore. That's right.

Mr. LaGuardia. But not to any intermediary channel of trade.

Senator Kilgore. That's right.

Therefore it should be used on your public-works program, to start out with.

Mr. LaGuardia. As mayor I say, yes; give all you can to me; but if I approach this with any thought of the economy of the country, I say don't give me all I am going to ask for.

But what we produce in the transition period, that ought to be made available.

Senator Kilgore. Yes.

Mr. LaGuardia. And that will have quite a tendency in even preventing a post-war inflation if we place that on the market at a just price.

So please be very careful in the provisions for the sale of surplus supplies, because you will save yourselves the trouble of amending the law after the war ends.

Now, to take care of the hundreds of thousands of men and women in shipyards, navy yards, and purely military production, we must have, ready to go, gentlemen, immediately after the war, a vast public-works program.

For the first year you ought to give us at least 5 days or 6 days of the cost of the war, excluding provisions already made for the highways and roads; and for the second year at least 20 days; and then you can taper off in a 5-year program.

Now, when I say it must be ready to go, it takes 1 year to 18 months before you can get started.

I am ready. New York City is ready. I am not bluffing. We are ready. We are spending $30,000,000, taking a chance.

If nothing happens, I guess I will go back to my own home State of Arizona.

But there are the plans, and they do cost money.

The Federal Government hasn't anything yet, gentlemen. No State has anything yet. They know what they want to do, and I don't know how many of the States have complete post-war programs ready to start construction. They all have lists of projects they would like to do.

You will remember, Senator, when we started P. W. A., the Federal grants and loans, it took a year, a year and a half, before they got started on it.

I got in under the wire because we went ahead and had plans ready. You cannot get these plans overnight.

When I speak of a post-war program for New York City, I mean city government program and private industry.

The city program would be about $1,300,000,000. And we will work up to 420,000 men employed every day in the beginning of the third year.

The private industrial and business post-war program, deferred maintenance, expansion, and new work, is about $1,600,000,000.

I think you would find the same proportion would hold throughout the country, and you can get a pretty good idea of what is needed, taking New York City, private and city government, at $2,900,000,000.

Now, none of this work is capricious, every bit of it is necessary or we wouldn't have invested our money in engineering and architectural plans.

That is necessary to take care of these workers that are in plants that in all likelihood will not be transformed.

Senator Wallgren. How long do you think it will take for prices to level off? I think it will continue for some little time after unemployment is started; will it not?

Mr. LaGuardia. I wish I could answer that question. If I could, I would go down the Avenue and ask for Morgenthau's job. That is a problem.

Senator Wallgren. It is a problem.

Mr. LaGuardia. I think in food, gentlemen, we are going to be very tight immediately after we wipe the Nazis out in Europe.

Now, we are committed, we are definitely committed, we have told the people of the occupied countries, "You will see the difference between Nazi occupation and occupation of the United Nations," and those people have been under considerable hardship and the demands for food and clothes and medical supplies are going to be very, very great.

Because of military necessity we haven't been able to transport these things yet.

Only part of the countries have been liberated, but that call is going to come.

Senator Wallgren. Well, then, if it does come because of our commitments, it means that the people in the areas are going to be pretty well taken care of.

Mr. LaGuardia. They have to be taken care of.

We can do everything in the world for industry, we can provide generously for severance pay and unemployment insurance, and we have to take care of the farmer.

Senator Wallgren. Yes; but he is just automatically taken care of.

Mr. LaGuardia. If there is this demand—not the demand. I hate that word. If there is the ability to buy enough that the people need to eat. That is the trouble——

Senator Kilgore (interposing). That, Mr. Mayor, is the farmers' point as expressed, usually, that, if we don't have a wave of unemployment and with the conditions in Europe as they are, they see no troubles ahead for them. They are going to be taken care of naturally.

Mr. LaGuardia. Yes.

I think we won't have any troubles about surpluses for some time to come and, by that time, we ought to have sense enough to know how to deal with surpluses on a world basis.

Senator Wallgren. Then the immediate problem is the war worker.

Mr. LaGuardia. Exactly.

Now, I don't think I ought to take the time of the committee on some of the changes, but I would like to submit some proposed correcting provisions, particularly where——

The Chairman (interposing). Mr. Mayor, will you pardon me a moment?

I understood you to say New York City was ready for the unemployment period.

You are ready for the unemployment that will come after the war; that is to say, you have drawn plans and have engineers working so that you may have development of the various structures in the city of New York that you deem necessary to provide employment for men who will lose employment after the war?

Mr. LaGuardia. If I have the money, Senator. I haven't got the money.

The Chairman. I understand. The program is already prepared?

Mr. LaGuardia. Yes.

Senator Kilgore. And the details are prepared.

The Chairman. I understand that some of the cities have gone into the matter in quite a detailed manner as you have.

What I was wondering was this:

Is there any Government organization or any national organization that has made it its business to ascertain of the States, the cities, the towns, counties, and political subdivisions of the United States how far they have gone in preparing for unemployment?

Mr. LaGuardia. Yes; the Federal Works Administration.

The Chairman. I didn't know that.

Mr. LaGuardia. You will find a detailed report of that in Major General Fleming's testimony before Fritz Lanham's committee, Public Grounds and Buildings, in the House.

The Chairman. Have you read that report?

Mr. LaGuardia. Yes.

The Chairman. Would you tell the committee what your opinion is in regard to the percentage of the population for the areas that have already prepared their plans to take care of the conversion period that necessarily must follow the war?

Mr. LaGuardia. I think you will find that the percentage is discouragingly low, because of the costs of preparing the plans.

Now, some cities cannot appropriate money for engineering or architectural plans unless they have the authority to build the structure, and in many instances a referendum is required before a bond issue for that purpose.

In other instances they are unable to meet the cost of plans; and that is why we have been urging that the Federal Government provide grants to States, counties, and municipalities for this purpose, after having approved the need, the usefulness, and the desirability of any such public improvement.

And we all recognize that the locality must put in a substantial percentage of the cost. Otherwise the temptation to get improvements that cannot be maintained afterward is very great.

Senator Wallgren. The big problem here, I think, is that some sections of the country are going to be hit much harder than others; some sections which at the present time are producing munitions of war, some States, we will say.

Take California, for instance, with that great number of aviation plants and the shipbuilding and so on where people have migrated to work in those plants. There is a State that is going to feel the spot it is in, while other States will not feel it to anywhere near the same degree.

Mr. LaGuardia. I am very glad you brought that up, Senator. That was one of the suggestions I was going to ask the committee to consider, and that is, putting proper safeguards, having in mind the entire country as a whole, in the provision for transportation or repatriation of these workers.

Now, this is what is going to happen to New York:

We will get a large percentage of the workers, if no provision is made for their care, from neighboring States, from the South, and from the Midwest.

They know we cannot leave them on the streets. We have to provide rent, we have to provide relief.

In addition to W. P. A., gentlemen, during the time of unemployment the city's share of relief, the city's share alone, was $60,000,000 to $72,000,000 a year. And I financed that currently.

I cannot do it again. Cannot do it again.

You can do that in one period but it cannot be repeated.

Now, I think you will find that they will gravitate to the coast, the Pacific coast, and to the Atlantic coast.

Many people in our country for the first time in their lives have had enough to eat. And they are going to feel the pinch. And naturally they will go where they believe there will be hope to get some relief.

I think southern California will get it, will get it hard—we will get it up in New York—New York City will get it, and get it hard.

And that provision where you provide for a very sound approach is very wholesome if it is not abused, and that has to be guarded so carefully; otherwise we will get into very serious trouble on that.

Senator KILGORE. I think you will find in the bill provision for transportation and return is based upon the ability of the Government agency to ascertain employment in that area before they are moved back into it.

Mr. LAGUARDIA. That's right.

Senator KILGORE. Which will, of course, protect to a certain extent against the thing you fear.

Mr. LAGUARDIA. And it ought to be certified that such employment is available.

Senator KILGORE. Yes; before they are moved back.

Mr. LAGUARDIA. Before they are moved back. Because it is going to be costly, and it can create a great deal of unhappiness.

Senator KILGORE. In other words, it seems to me that for the man, shall we say in southern California, who is being shipped back to New York, shall we say, the job should be there waiting for him when he gets there.

Mr. LAGUARDIA. Right.

Senator KILGORE. Not just told that a thousand of you fellows are going to get a thousand jobs in New York. They should make sure that there are those jobs, and those men should be certified in New York as coming in to take them.

Mr. LAGUARDIA. Right.

Senator KILGORE. So the jobs will be there when they get there.

Mr. LAGUARDIA. Yes.

And the reverse of that ought to be true also, that if they come of their own volition, the Federal Government should then send them to their own homes.

Senator WALLGREN. Well, there will be some States where the need will be great.

Mr. LAGUARDIA. Right.

Senator WALLGREN. There will be some States where they could get along without more help.

Mr. LAGUARDIA. I suppose so. And there will be some States where because of the change in the industrial situation, where it is mostly agricultural, where a great many people would remain in agricultural pursuits who want to remain in industrial centers.

You will have to guard against that for a time.

Senator KILGORE. Mr. Mayor, a lot of States are going to need migration back. Many States have been drained of their workers.

Mr. LAGUARDIA. Well, that ought to be encouraged, that ought to be encouraged, because you will find that the tendency will be to the urban centers.

And that is why I think that some thought of removing all settlement requirement would be very unwholesome at this time and for some years following the end of the war.

The CHAIRMAN. Mr. Mayor, pardon me.

This is Senator Murray.

You have met the Senator before.

Mr. LAGUARDIA. Yes, indeed.

The CHAIRMAN. The Senator was unavoidably delayed on account of some official matters that he had to look after and he phoned me this morning to extend his apologies that he could not be here on your arrival.

And this is Senator Pepper. You know the Senator. He is not a member of this committee, but we are delighted to have him here with us.

Senator PEPPER. Thank you, Senator.

The CHAIRMAN. And you are privileged, Senator, to direct any inquiries to the mayor that you care to from time to time because he has told us that he prefers to have the questions as he proceeds with his observations.

Senator PEPPER. The chairman proceeds with his usual thoughtfulness.

The CHAIRMAN. Thank you, Senator.

Mr. LAGUARDIA. Now, the other large group that we are going to have is that of the discharged veterans, and we must exercise great care to prevent any ill feeling or friction between these two groups.

To prevent it will be much more effective, desirable, than to seek to adjust it afterward.

The CHAIRMAN. What suggestion have you to make there?

Mr. LAGUARDIA. I think that Congress is giving very intelligent thought to the adjustment of the discharged veteran in normal peacetime life.

I think the educational features of the bill——

Senator KILGORE. The G. I. bill?

Mr. LAGUARDIA. Yes. I think that is going to be very wholesome, and there again we must not repeat some of the mistakes we made after the last war.

I had some correspondence on that; how no school, no private school, ought to be approved that hasn't been in existence at least 5 years prior to the commencement of the war.

After the last war, in my town all sorts of mushroom schools sprang up, sign painters, automobile repair.

They would take a loft and the boys would just sign in for it, and sometimes once a week, and nothing would happen, and they just strung along during the whole period of the duration provision, and then we were exactly where we started.

There is an entirely different attitude now, and, in addition, we have taken boys much younger than we did in the last war. You will find a large percentage of boys who are taken, 17, 18, and 19, and they were still in the high schools.

These boys will not want to return to school as such. We are trying to prepare for them in New York City by providing academies or in-

stitutions where these boys can go and finish their normal high-school courses and then be ready to enter higher education if they desire.

We owe that to these boys.

The country, the Government, can never give these boys those precious months of their youth that has been taken from them.

So full and complete provision must be made for all these veterans who desire to complete their education.

Now, that is going to help.

I hope the Army will watch the employment and economic situation very carefully, and the coordination provided for in the Kilgore bill, I think, is very wholesome, so that after they get here they could be furloughed to visit their homes for a time and very gradually demobilized as the situation permits.

There should also be an exchange or relief of troops.

In all likelihood there will be a great deal of occupation and policing, military policing, in the enemy country, and fresh troops ought to be sent to replace those who have had combat service, in order that we won't feel the full impact of a release of 10,000,000 men at one time.

That may not happen because the situation in the Pacific may be entirely different than what may result in Europe at this time.

The provisions made—I don't know whether they call it unemployment or what they call it—are wholesome, and the provision in this bill for compensation during unemployment I think will solve that problem.

Nothing should be left then that can be done, because it will be difficult to place these men all at once, and the danger of friction is very great.

Senator PEPPER. Excuse me, Mr. Chairman.

The CHAIRMAN. Senator Pepper.

Senator PEPPER. Mr. Mayor, you have noticed the provision of the G. I. bill, which I believe is not less than $20 a week for up to 2 years for the returning veteran.

Mr. LAGUARDIA. That will do it. And with the educational feature of the bill I think that is the most useful provision there.

Senator PEPPER. Would you have any comment to make—you have been a man of distinguished service yourself in World War No. 1—as to whether in getting an education by the returning veteran the length of the education should be dependent, as the G. I. bill now has it, upon the length of service that the veteran had in the war?

Mr. LAGUARDIA. Not at all. Upon his age.

Think of a boy of 17 or 18 or 19 and he was in high school. He should be provided with the opportunity of getting the equivalent of that high school, and if he can qualify for higher education he should be given it. We owe it to him.

Now, you take a boy who is 25, out of school entirely and who has had no trade, then I think we ought to limit the time that he could take up a trade.

Obviously we couldn't make a scientist out of him overnight or in any time.

In the group that may qualify for higher education you ought to give them the opportunity; but the vast majority of those, especially those who had no trade, ought to be given an opportunity to learn a trade if they can.

I do not approve of any system based upon length of service for education. And I also don't approve of giving full status to one who has been inducted into service, went to an induction center, went to camp, and from there to a hospital for observation for 3 months and then was sent home.

I cannot get excited about him. Unless it is service-connected.

Senator PEPPER. But honorable discharge and the needs and qualifications of the man should be in your opinion the requirement?

Mr. LAGUARDIA. Absolutely. And you will find that will be very helpful; because it increases the efficiency of the whole, and it removes the man from the competitive labor market and channels him into a useful occupational calling.

Senator PEPPER. Now, just one other question:

Some think, I am afraid, that it would cost too much money if we throw open the doors of the educational institutions to the returning veterans, because too many of them would take advantage of that opportunity.

Now, is it your opinion that too many for the public interest are likely to take advantage of it, or that probably what can be done should be done to encourage and induce all who will to take advantage of the kind of training for which they are fitted, whether it be higher education or trade or profession?

Mr. LAGUARDIA. It will cost less than if we fail to do it. There is no question about that.

It costs just about as much to keep a student in college as to keep an inmate in a penitentiary.

I would sooner have them in college.

Senator KILGORE. One point I wanted to make, Mr. Mayor:

Don't you feel that a lot of the boys have been living under high tension and that, unless there is a cooling off period in which they are learning something useful, we are liable to have on our hands individuals who will cause us a lot of trouble?

Mr. LAGUARDIA. Exactly.

This youngster has had the benefit of discipline, and that is one great advantage. He has had a great deal of time to think. You get awfully lonesome when you are with a large body of men. You run out of conversation. They get away from home. They have been thinking.

You are going to find very good material there, and they should be given the opportunity to get an education, whether it is vocational or academic, professional or cultural.

That is very important gentlemen.

Because as we go into a new era where we will have to create the spread of employment so that everybody will have work, you will find that men and women will have more leisure time.

And you know leisure time is quite different from idle time.

Idle time is quite depressive and demoralizing, and leisure time can be exalting, exhilarating, and you can enjoy leisure time better if you have some cultural background.

So that I think, with the public-supported institutions and with the recognized private institutions, we will be able, as no other country in the world is able, to absorb these men and complete their educations, and the country will be that much richer after it is through.

Some of them will idle and fool around during this time, but that happens now.

But a great many of them will get a great deal of benefit out of it.

Senator KILGORE. One other question, Mr. Mayor, right on that line:

In some States after the last war in the rehabilitation of veterans, I feel that we made a terrible mistake in that, to give them vocational training, we practically made an apprentice system in factories in which boys not only went in there competing but in a large number of cases were just used as common labor and learned nothing.

Don't you think a better method is vocational schools, where they are actually taught, rather than an apprentice system in a plant?

Mr. LAGUARDIA. I am afraid you have started me off on something.

I think at this time a new technique has developed for the exploitation of labor and for the depressing of wages.

In my city a technique has developed a part-time employment that is the most disgraceful situation that I have ever seen.

You take the American Railway Express, they just have hundreds of city employees who are being taught the technique of how to sleep on their city jobs.

That and child labor we are watching out for.

We have regular surveys, and when the school closes we are going to intensify the activities of our child-labor law.

That is exactly what will happen here. And I have this marked on page 32, you have got a joker—I know it was unintentional—but every possible safeguard ought to be made.

Otherwise you are subsidizing employers who pay substandard wages, and putting the honest employer in an unfair situation competing with such an employer.

Now, that happened during relief time. You see advertisements in the New York papers: "Wanted, part-time workers, unskilled workers, women on artificial flowers, light industry."

I put my foot down on it, because they would employ these people at substandard wages. Two of them would deprive one of a full-time job; and our relief rolls were piling up, and we were subsidizing the employers paying substandard wages.

That is happening now with Government employees. It is a fertile field for it.

Well, we have discovered cases, gentlemen, where a city employee works 8 hours for the city and 8 hours for a private employer, 16 hours a day.

How they get from one place to another, I haven't determined yet.

We have discovered cases where they were on the time sheet at two places at the same time.

And the cost-plus fellow is the one that was chiseling, he didn't care.

No; this part-time thing can be very vicious.

Senator KILGORE. I am glad you brought it up.

I ran into one city recently where a taxi owner of a big fleet of cabs told me he was gradually employing all the firemen of the city.

I don't see how those firemen can do a good job as firemen and work and 8-hour shift on a taxi too.

Mr. LAGUARDIA. I have put my foot down in New York City and I am having the fight of my life on that.

The benefits ought to be sufficient to permit a minimum subsistence existence, and there of course you have to take into consideration the condition in various parts of the country.

Now, in large cities they must have shelter and they must have light and they must have gas for cooking; that forms a substantial part of the minimum requirement, and that ought to be considered; because if we just put that down to mere existence, then you have destroyed your whole purpose.

Legislation should be enacted without any further delay. The time may come when we would be very much embarrassed if we had not taken every necessary legislative protection.

No one would venture to guess when the war will end, not this kind of a war. I personally believe that some day we will wake up and we will find a blow-up in Germany, at the top. A blow-up in Germany will come at the top, not from the bottom. That general staff knows exactly where they stand. The most significant success I think recently has been in getting after their source of supply of oil. They are going to feel that. When the chessman is playing chess a good player can tell five or six moves in advance that he is going to be checked, and he is ready.

The one man who won't know is Hitler, and I think they will take care of him.

Whatever happens, whether it lasts 6 months or 6 weeks or 6 years, we must be prepared to just move right into a new situation, just as Eisenhower was prepared and knew exactly where he was going to land, exactly how many men he was going to put there, knew exactly what he had back of him.

It is not difficult if we approach it courageously, but if we try to satisfy one group against another, if we fail to take the whole economy, look at it as a whole, one complete picture, we will mess it up.

And, gentlemen, if it is messed up this time, we are going to have a very sorrowful period. People are thinking differently. The boys in the Army are thinking differently.

We all get mail from youngsters we know, they are thinking of one thing, a job when they come home, of living decently, of a family. We have been talking that to the entire world. We have to be able to show the world that we can do it. And it will cost so much less if we do it constructively, timely, than if we delay and have to slap something together as we did in the days of W. P. A. relief.

Senator WALLGREN. Of course this war is a long way from being over at that. You have to consider the Pacific.

Mr. LAGUARDIA. All the more reason we should be ready.

Senator KILGORE. Mr. Mayor, if both Japan and Germany should surrender tomorrow unconditionally, under our present set-up wouldn't we just about face chaos in the United States?

Senator WALLGREN. I don't think you need to worry about Japan.

Senator KILGORE. I am not worrying, but if we do not have the plans will we not have a chaotic condition?

Mr. LAGUARDIA. Let us say in a year from now; we would still be in a very difficult situation unless we were prepared.

The CHAIRMAN. Senator Murray, do you care to——

Senator MURRAY. Well, I have listened with a great deal of interest and respect to the statements made by the mayor. I am sorry that I

wasn't here at the opening of the hearing to hear his full statement. I am sure that he has covered a problem we have to consider in his usual inimitable way and I promise I am going to read it over carefully.

The CHAIRMAN. Senator Kilgore?

Senator KILGORE. No questions.

The CHAIRMAN. Senator Wallgren?

Senator WALLGREN. No questions.

The CHAIRMAN. Senator Pepper?

Senator PEPPER. Only this, Mr. Chairman:

There are some who constantly think that all ills will right themselves if the Government has nothing to do with it, if private forces are allowed to operate in their own way.

Is it your belief that any such miracle could occur as would bring all the economic forces into such equilibrium as would adequately meet this challenge, without some agency public in character acting as a coordinator and the leader in bringing it all about so that favorable conditions will arise?

Mr. LAGUARDIA. Senator, our country never got into a worse mess than during a period when there was the least Government interference with business, industry, and banking.

I served in the House during that period from '22 to '32. Business and banking and industry had their way in everything they wanted, and they got themselves and our country into the worst mess, one that was as costly as a war.

And what happened?

When the whole thing tumbled down, they were the ones who came to Washington; they were the ones who got the relief first. I was here. I was here.

Old friends of mine in New York who always said "no interference of Government," they were here saying "oh, Mr. Congressman, Mr. Congressman, something is going to happen."

Banks going like that, one right after the other; the whole thing piling up; no control, no supervision; all sorts of worthless securities peddled on the American people; factory after factory closing.

They had their way.

And they came in, and the first bill passed in the last year of the Hoover administration, where the R. F. C. was created, was to give relief to industry, to finance.

There wasn't a dollar in there for unemployment.

Senator WALLGREN. Where are they now?

Mr. LAGUARDIA. Now? The Government is taking care of them.

You cannot do it otherwise. It has to be done orderly—I say orderly; constructively. There is no other agency. You leave them to themselves and nothing will happen. I know them. I live with them.

You talk to some who say, "How about this?" "Oh, let us win the war first." That is because they haven't the capacity to think the thing through. You know, some people think they are bankers when they are only pawnbrokers, really.

I happened to be the mayor of my town when this thing broke. And not one single, original idea came from them during that period. Not one.

You cannot stop it. So we might as well do it; do a good job.

Senator WALLGREN. But those same people today are crying for no Government interference.

Mr. LAGUARDIA. Yes.

Senator WALLGREN. They want to go through the grill again.

Mr. LAGUARDIA. Yes.

The CHAIRMAN. Mr. Mayor, one moment please.

Mr. Mayor, I have listened to you with a great deal of interest, and your observations have certainly been of great benefit to the members of this committee.

It isn't difficult for any of us to realize that you have given a great deal of thought to this very important question, for which we as members of the committee are entirely grateful, and I think that the American people are appreciative to you for the time and thought you have given to it.

I want to ask you one question: Aside from the program that you have outlined for after-the-war employment, have you given any thought to the question of public works for the Nation, such as the construction of coast-to-coast highways, or highways of a dual nature from Canada to Mexico; the development of airports and the development of water ports or other public structures that would be of, you might say, primary and final benefit to the Nation as a whole from a transportation standpoint?

Mr. LAGUARDIA. Well, Congress has already provided, as in the highway bill passed, for a generous grant to the States and subdivisions for highways.

There is your Federal Public Works program, and that has been woefully neglected. There is so much to be done, and that kind of work is really good work. And your waterways and reclamations and irrigations, that is part of the Federal Public Works program, and it should be started right away.

The CHAIRMAN. I am very glad to have your views upon that. We are very much obliged to you, Mr. Mayor. It is nice to see you again.

Gentlemen of the committee, I have word here to the effect that the American Federation of Labor witnesses could not get here because of their plane having been grounded and that they are requesting permission to have their written statement inserted in the record as a part of the hearing.

I am confident there will be no objection to that and I will ask the reporter to make it a part of this morning's record.

(The statement referred to was not supplied in time for inclusion in this print.)

The CHAIRMAN. Mr. Rosenberg.

Mr. ROSENBERG. Yes.

The CHAIRMAN. Plant manager of the Electronics Corporation, New York City.

Mr. Rosenberg, we are glad to have you with us. We will be very glad to hear you.

Mr. ROSENBERG. Thank you.

STATEMENT OF HENRY M. ROSENBERG, PLANT MANAGER, ELECTRONICS CORPORATION OF AMERICA, NEW YORK CITY

Mr. ROSENBERG. Mr. Chairman, gentlemen, members of the committee, I am the production engineer and assistant plant manager of Electronics Corporation of America. My knowledge of the intricacies of lawmaking is very small, but I have some knowledge of production and what is going on in the small plants in New York, particularly in the electronics field; and I am prepared merely to tell you of our unemployment in Electronics Corporation of America, what the absence of planning in contract termination and reconversion has done to us, what might happen to industry now, and what, based on our experience, we should like to see.

First, let me tell you something about our company.

Electronics Corporation of America is comprised of some 250 men and women.

We are engaged in a 100-percent war work. We manufacture vital secret equipment for the United States Signal Corps and for the United States Navy.

Every member of our company is extremely proud that he happens to belong to it, because our production records have gone up in leaps and bounds with almost every month.

We are particularly proud because our production records have been attained not through management whip-snapping or blustering on the part of management, but through excellent labor-management relations.

The labor-management committee in our plant helps me with my planning.

I might say here at this point that my duties and responsibilities are to plan production to meet the war schedules; to determine what equipment and man-hours are necessary to make the units for the Army or Navy; and to lay out the production lines to do that work.

Our labor-management committee in weekly meetings analyzes and discusses with management the schedules, methods of production, technical processes, and any problems that might arise. And from these discussions and analyses we get to work and turn out the goods.

In the past 8 months we have increased our production some 50 percent.

This we have done without materially increasing our crew.

We have done this through the wholehearted cooperation of the labor-management committee that seeks to instill in these 250 men and women the importance of the war effort at our plant.

And so we in our little plant are cognizant of what planning means.

The Electronics Corporation of America leads in other fields. I think, proportionate for its size, the members of our company douated more blood to the Red Cross than any other company in the country. And we have oversubscribed to all the war loans. And our production records are leading ones in the electronics field.

The mayor mentioned something about returning soldiers not being able to acclimate themselves to production work after the war.

Our labor-management committee have been trying to make sure that we get our quotas, see to it that these men are given some sort of consideration, sent to some sort of schools.

We don't have the usual management problems actually, we don't have to worry about a man spending half an hour in the washroom. The labor men themselves see that the people turn out the goods.

I want to emphasize our record in order to emphasize a little later and show what happened when one of our contracts a little while ago was terminated without any notice, just stopped—cut off—by the Navy.

On April 10, 1943, our company received a contract for $196,000.

We went to making first a hundred units of a secret underwater device for the Navy, 1,200 more were in sight. We were to start in July. We needed some months to tool up and make our plans and then make deliveries from July on.

On December 6 of the same year the contract was suddenly, without any warning whatsoever, terminated. The value of the termination was $172,000.

The Navy suddenly demanded that we fill out a million forms, which we did. It threw our entire office, purchasing and procurement department, in turmoil. We only received $75,000 of the $172,000. The $100,000 is still outstanding.

The chaos that was created, as far as planning in the office, as far as paying our creditors, people who gave us material, is evident. The chaos it created so far as planning production is still evident.

This contract involved 60 percent of our engineering force, 60 percent of our production force. The contract involved four-fifths of our floor space. Then, just like that, without any warning whatsoever, the contract was terminated.

What was the effect on our personnel?

This, mind you, in a company that is outstanding for its wholesome labor-management relationships; for its production records. Don't forget that we got this 60-percent increase in production not through wage incentives. They didn't get any more money out of it. We worked together, planned together, sweated over it. The people in our plant know what they are working for. They are working to get their brothers, their loved ones, home to a secure world.

But we had chaos when our contract was terminated. Thirty percent of the people were laid off. It necessitated an entire replanning of the plant, tearing down special installations. These units were huge 6-foot affairs. For 6 months we produced practically nothing. We had no other contracts. We eventually did receive other contracts. We worked harder than before, got the people together, and once again we achieved that harmonious whole that makes for more production. We are breaking schedules faster than ever before.

But right now I can feel a certain tension in our labor staff. Our 250 men and women read the newspapers. They know what happened several months before when their contract was terminated, and they feel it might happen again to them.

Through discussions with other heads of other electronic plants of the same nature and size manufacturing kindred equipment I find that the feeling is the same.

Then the question isn't one of post-war conversion alone, but of present war production.

We feel that if congressional action isn't taken immediately, not only are we going to run into a lot of trouble after the war but we are running into trouble right now.

Let us assume that only part of our plant is laid off because of sudden contract termination. It affects everyone in the plant.

There isn't a slow-down. The workers themselves won't permit that. But the problem is one of current production.

Our executives and military leaders have told us that the war isn't over by a long shot; we still have to produce and still have to fight. But the people are getting a little fidgety. They feel if the Government cannot plan for them while they are sweating it out geting the weapons to the men in the fighting forces, then they will have nothing to show for it.

What do the people in our plant want, and in similar plants throughout the country?

What do our brothers on the fighting front want?

One way of bolstering morale is to read the letters to the people in our plant from our relatives who have gone over to fight.

Foremost in their minds is security, jobs when they come back.

And that question really is also in the minds of the people who have not gone to the front.

I have two brothers in England. And the brothers, we might say, of the people in our plant, and all brothers, want the same thing.

They don't want to come back to chaos. They want to come back to a job. They want families.

They know what happened to their fathers after the last war and they don't intend, I am quite sure, that it is going to happen again.

Therefore, what we have experienced in the Electronics Corporation, and what other electronic plants have experienced, shows that if reconversion is left to independent agencies, without centralized, coordinated control, we are going to have chaos.

We feel it is very urgent that Congress enact a bill setting up a centralized, coordinated agency that will take care of such problems as jobs in the troubled times ahead after the peace, contract termination, cut-backs, and the rest.

Through discussions wih the heads of other small plants in the New York area I get the feeling that they are also a little frightened that they are going to be left out in the cold; that because some of the mammoth organizations are still in war work, even should certain essential materials be freed for civilian use, the small plants will not be given access to them because of the power of these large companies who don't want any competition.

I notice that both bills make provision for that.

There is also the question of gradual logical cut-backs and termination of contracts.

This central agency at this moment I feel has sufficient data or would have if it were created, to know what material is needed for war, what we will need a month from now, and what we will need a year from now. If they hadn't any idea of what was needed, there wouldn't be these cut-backs at the moment. If this had been planned through a centrally located office, we wouldn't have had the trouble we had half a dozen months ago.

We make some items without which airplanes cannot take off. They just wait until we deliver the stuff. And so, for a month and a half our company was turning out nothing, and the war suffered thereby.

We feel then that now, immediately, Congress should take upon itself to enact a bill to create a centralized agency to take care of the problems of reconversion, cut-backs, and post-war planning.

I would like to say a word about soldiers coming back.

In line with our harmonious labor relationships at Electronics Corporation we have tried to give as many returned soldiers jobs as possible, and we find that they cannot acclimate themselves, cannot adjust themselves to work conditions.

They come back from the Pacific and from the African areas and all of a sudden they are put on assembly lines. They can't take it. Most of them quit after a week. And we feel that some provision should be made for these men so that there is this cooling-off period you speak of, so they are retrained.

There is another point:

There is going to be keen competition after the war. As much as employers will want to give jobs to returning soldiers, they are not going to give jobs to men who are inefficient. They want to make their profits, I imagine. And that is going to be the case. It is a very great problem for this country to spend its time, its money, and its heart, in giving the needed skills to work.

The mayor has spoken of further education. We have had in the past week three soldiers who cannot work, because they are very bitter. They planned to go to college. They joined the Army several years ago and now, instead of becoming engineers or lawyers, they have to become stock clerks or what have you. They feel let down.

The people in the plant know they feel let down.

There is then spreading throughout the country the feeling among the people that nothing is being done for them; that they are sweating it out for nothing; that the people are killing and being killed and nothing is done for them; that the people on the home front are sweating it out for nothing.

I just came down then to tell you what the feeling is or what we in the Electronics Corporation feel the feeling is in New York.

We feel again that production is going to suffer—because people feel insecure, production is going to suffer until something is done to give them the assurance that what they are fighting for in the post-war world will come true.

That is all.

The CHAIRMAN. We are very much obliged to you, Mr. Rosenberg, for the benefit of your advice. It is based on the experience you have had with returning soldiers.

I want to ask, Mr. Reporter, that a letter from Under Secretary of War Patterson addressed to Senator Murray under date of June 14 be inserted in the record at this point.

(The letter referred to follows:)

WAR DEPARTMENT,
Washington, June 14, 1944.

Hon. JAMES E. MURRAY,
War Contracts Subcommittee,
Committee on Military Affairs of the United States Senate,
Washington, D. C.

MY DEAR SENATOR MURRAY: As requested by your letter of June 9, I am glad to give your our comments on subcommittee print Nos. 3 of S. 1730, dated June 9, 1944, and subcommittee print No. 1 of S. 1893 dated June 9, 1944.

The War Department has no objection of substance to the provisions of this revised form of S. 1730. We believe that titles I and II of this draft are workable and generally desirable legislation. As for titles III and IV, the War Department strongly endorses section 301 and favors adequate provision for unemployment compensation and benefits for servicemen and unemployed war workers, but is not prepared to comment on the specific provisions with respect to them.

On the other hand, the War Department has serious objections to many of the principal features of the revised draft of S. 1893 and believes its enactment would be unwise and undesirable. Some of the major provisions to which we object are as follows:

1. Title 1 of this bill appears to contemplate a complex central agency with extensive functions and operations. Our experience convinces us that an over-all agency must be limited to establishing basic policy and planning, in order to perform its essential functions without becoming an administrative bottleneck. We fully agree with the testimony of Mr. Justice Byrnes before your committee on June 12, that to be effective such an office must be small and compact. In our opinion, the agency created by title I of S. 1893 would inevitably tend to become unduly large and to invade the operating fields of existing agencies and duplicate their operations. We think that this would interfere with efficient administration and would defeat the basic objectives of an over-all agency.

2. Section 105 is considered undesirable for several reasons. First, it seems inappropriate to require the President to appoint the Board from panels submitted by national organizations of industry, labor, and agriculture; appointments to an agency of this importance should not be limited in this manner or put under the control of private interests. Secondly, the War Department strenuously objects to the provision that the Board and each member shall have access to all data of the over-all office and of all other Government agencies bearing on war mobilization and post-war adjustment; this would obviously violate necessary military security and interfere with the orderly operation of the Department during the war. Furthermore, subsection 105 (e) would require the procuring agencies to consult with industrial or area councils representing industry, labor, and agriculture with respect to "policies, programs, and operations affecting industrial segments or geographical areas." This would seem to require such consultation by the War Department on every award, termination, or modification of any contract and would be wholly impracticable.

3. Section 201 would impose on the Chairman of the War Production Board the duty to review military production programs and to establish "policies and programs for the expansion, transfer, and curtailment of military production" covering specific products, firms, industry segments, and geographical areas, and to develop programs for curtailing military production based on assumed military developments. Such duties would directly interfere with the basic responsibility of the armed services for the procurement and production of military supplies and for determining their requirements for various military items.

4. Section 203 would require every procurement agency to report to the War Production Board "every projected change in its procurement program, including the award of new contracts and the modification, transfer, or termination of contracts previously awarded". In view of the thousands of such transactions, this blanket requirement would impose serious administrative burdens without corresponding benefits.

5. Title III deals with the disposition of surplus war property. Many of its provisions follow the bill recommended to your subcommittee by the Surplus Property Administrator and approved by the War Department. But certain of its other provisions, particularly sections 306, 308, and 310, differ from these recommendations. To the extent this bill differs in substance from the draft submitted by the Surplus Property Administrator, the War Department considers its provisions objectionable.

6. Title IV deals primarily with reemployment and unemployment benefits. While the War Department favors adequate provisions for these purposes, it is not prepared to comment on the particular provisions in the proposed draft, since these are not within its field of responsibility. Section 401 (c) dealing with the demobilization of servicemen is ambiguous; and might be interpreted to establish a policy different from that prescribed by section 301 of S. 1730. If that is its purpose, the War Department is strongly opposed to this provision.

In view of these and other objections, the War Department believes that S. 1893, as revised, should not be reported or enacted. We believe that the revised form of S. 1730 is basically sound, and in view of the need for prompt action recommend that S. 1730 be used as the vehicle for this legislation instead of attempting to revise S. 1893 completely to eliminate its many undesirable features.

Since you asked to have our comments immediately, we have limited them to matters of substance without dealing with defects of form or detail in either of the drafts. The Department has not been advised by the Bureau of the Budget as to the relation of this legislation to the program of the President.

Sincerely yours,

ROBERT P. PATTERSON.
Under Secretary of War.

The CHAIRMAN. The committee will recess now until 2 o'clock, at which time we will hear the remaining witnesses.

(Whereupon, at 12:30 p. m., the committee recessed until 2 p. m. of the same day.)

AFTERNOON SESSION

Present: Senators Kilgore (presiding) and Murray.

Senator KILGORE. Let us come to order. Is Mr. Rudloff here?

Mr. RUDLOFF. Yes, sir.

Senator KILGORE. All right, Mr. Rudloff.

STATEMENT OF ERNEST J. RUDLOFF, VICE PRESIDENT AND CHAIRMAN OF THE COMMITTEE ON ORGANIZATION OF THE GREATER NEW YORK CONGRESS OF INDUSTRIAL ORGANIZATIONS COUNCIL

Senator KILGORE. Mr. Rudloff, you are from the Industrial Union of Marine and Shipbuilding Workers, is that right?

Mr. RUDLOFF. Yes. I am vice president of the Greater New York City Industrial Union Organization and president of Local 39 of the Industrial Union of Marine and Shipbuilding Workers of America.

Senator KILGORE. Where do you live, in New York?

Mr. RUDLOFF. Yes.

Senator KILGORE. Do you have a prepared statement that you wish to make?

Mr. RUDLOFF. I have.

Senator KILGORE. And do you object to questions as you go along or would you rather have us ask questions when you get through?

Mr. RUDLOFF. I will take them as they come.

Senator KILGORE. All right. It is much easier for us because we can bring out the things in the record.

Mr. RUDLOFF. Yes.

We of the New York labor movement are elated at the success of our military operations on the European continent. As on the battle front, this is the time when on the home front all of our resources and energies must be thrown into the struggle for victory over the Nazis.

We cannot permit our military successes on the European continent to result in sharpened economic conflict here at home as a result of increased cut-backs and the termination of contracts. The greater and faster our military success, and the smaller our losses in matériel, the more staggering becomes the question of contract concelations and their effects.

This demands action now, for the questions of cut-backs, reconversion, and post-war planning become one and the same problem. Unless the legislature provides an immediate solution to this prob-

lem by setting up the basic framework of sound policy and strong organization, we face a period of esonomic dislocation and chaos, not when the war is over, but now in the midst of the war, at the moment of our most important and critical military operations.

The problem of demobilization is to us, therefore, identical with that of insuring the greatest possible mobilization and output for the war today, tomorrow, and in the next few vital months. Failure to provide adequate policy and machinery for demobilization must inevitably hold back our fullest mobilization for war needs as they change from day to day.

We are troubled over the fact that on the very eve of D-day we in New York suffered two sudden contract cancelations, closing down two of our largest war plants, Brewster Aircraft and Alcoa, and causing over 8,000 trained war workers to be idle. The demoralizing effect of these contract cancelations and the accompanying lay-offs was felt not only by the workers of New York, but in all other sections of the Nation.

Thus the New York labor movement share with the national C. I. O. its concern not only with the economics of an enduring peace based on full production, but even more immediately with those developments that may adversely affect full mobilization for victory in the war.

Let me try to outline briefly the situation we are in in New York City.

In the peacetime, New York is a city whose economic life is based on trade and finance and small shops manufacturing primarily consumers' goods. It is the greatest men's and women's clothing center in the world, and yet in the main uniform and textile contracts were sent to plants in other parts of the country. New York has a tremendous number of small shops with well-equipped machines of all sorts to manufacture radio tubes, electrical goods, motors, work metals.

Senator KILGORE. Let me interrupt you at this point.

My view of the industrial organization of New York City is that it does not have any vast industrial enterprises but is a great collection of small enterprises; that is, by small enterprises, I mean enterprises employing a relatively small number of people in peacetimes.

Is that right?

Mr. RUDLOFF. With one or two exceptions, that is right.

Senator KILGORE. What are the exceptions to that? One is the clothing.

Mr. RUDLOFF. And there are one or two fairly decent sized shipyards.

Senator KILGORE. Shipyards. But outside of that the rest is what we might call small plants, not large plants covering acres of ground, because you do not have any acres of ground to put them on.

Isn't that right?

Mr. RUDLOFF. That's right.

It has very few of the so-called basic industries, steel mills, rolling mills, large foundries. But in small shops and in small shipyards and spread throughout the city is a vast reserve of skilled craftsmen and complex machines for many types of metal work. And New York, as the A. F. L. points out, has the greatest reserve of skilled construction craftsmen available for every kind of work.

Apart from a very few plants, we are not a city of prime contractors. Not that we could not have been. For early in the defense period it was perfectly apparent that we were the greatest single reserve of skilled and semiskilled labor in the country.

But we got no big contracts and no new facilities.

If there had been intelligent planning and coordination in the war-production effort from the outset, many more war contracts would have been let in this area. We would not have had the wasteful spectacle of more than a million of our people migrating to other war centers that were already overcrowded, that had no housing, no stores, no sewers, no schools, no doctors, no churches to care for them.

Senator KILGORE. May I interrupt here?

I was thinking that apart from the assembly plants on Long Island, you had a vast reservoir of skilled labor in the New York area that made ordinary labor problems comparatively simple.

Isn't that so?

Mr. RUDLOFF. That is so.

Senator KILGORE. That those who could commute to those plants on Long Island could get plenty of work there and the rest had to leave the New York area.

Is that right?

Mr. RUDLOFF. That's right.

Senator KILGORE. In one plant near Newark, N. J., that I visited, the big bulk of their workers were coming from metropolitan New York.

Mr. RUDLOFF. Correct.

And for a short time, I should say until the last 9 or 10 months, New York City did have an unemployment problem.

The new plants should have been built in the places where manpower and womanpower already lived, and where there were community facilities to care for them, not where they had to be built from scratch.

New York in wartime is thus primarily a city of subcontracts, rather than prime contracts. The contracts are spread through thousands of small shops and small shipyards. And the contracts came late. Hundreds of thousands of workers have moved away, to the Jersey and Connecticut plants, to the Norfolk and Maine and Oregon shipyards, to construction work in all parts of the world.

Frankly, we think that the failure to use our facilities and our manpower on the spot has been unintelligent. It is the direct result of lack of coordinated planning of production. But with this existing picture and this experience behind us, we see how even more dangerous are the reconversion and cut-backs now going on in the same unplanned and uncoordinated manner. The last to get war contracts, we shall be the first to lose them. Our subcontracting shops suffer the minute a contract is cut off elsewhere in the country.

Senator KILGORE. In line with that, and what you just said about unemployment, I am just informed that you have always been listed as a labor-surplus area, and in January 1943 you had 400,000 unemployed people in New York.

Mr. RUDLOFF. I wouldn't be able to vouch for the figure. I know we had an unemployment problem. Just what the figures are I am not qualified to say.

We want you to look at our situation and put yourselves in the place of the workers or owners of any of our plants. At present we are

working on a contract in a small plant, making parts for a large contractor located in Detroit, let us say. The product is an important part of the invasion. We are only one of the Detroit plant's Navy subcontractors. We have been working overtime, around the clock, to turn out those parts. We have no other contracts. We produce no consumers goods, our ordinary peacetime product. Even if we wanted to or had the time and space, we couldn't because our materials come through the prime contractor for war goods only.

Tomorrow the Army notifies the prime contractor that his contract is cut, that it has enough of his product. Our prime contractor notifies us the same day to stop work on the part. We're through; 200 workers are out on the street. The prime contractor may have plenty of materials to shift into civilian production or pull enough to get another prime contract which may or may not be parcelled out to us.

Senator KILGORE. Now, let me ask you a question at that point.

We will say you had the material on hand there with which you could go ahead and make some item that you had made in peacetimes, without stoppage.

You couldn't go ahead and use that material, could you, under the present set-up?

Mr. RUDLOFF. No; not under the present set-up.

Senator KILGORE. Even if you had a market for the item, you could not make it and sell it?

Mr. RUDLOFF. That's right.

Senator KILGORE. Until it may be released.

Mr. RUDLOFF. Now, there is another example I would like to illustrate concerning two shipyards.

They are within five blocks of one another.

One shipyard in November 1943, employing approximately 20,000 employees had the facilities, had the work, and the tools and material to keep a force of 20,000 employees supplied, and kept working on a 7-day basis on a 10-hour shift and at 2 shifts a day, day and night; and 5 blocks away there is another shipyard that employed in November 1943 approximately 2.000 employees, with facilities, tools, materials, and supplies for 2,000 employees.

Now, in May and June of this year the larger shipyard that had 20,000 employees now only employs 14,000, with a 75-percent reduction on seventh-day work; whereas, the other shipyard is now employing approximately 5,000 men with only the equipment to put to work 2,000 men, and working 7 days a week on longer shifts than 10 hours, some 12 hours, and maybe twice a week on a 24-hour basis, around the clock.

Both plants had the same type of reconversion work. That is a repair yard.

Both are under contract with the same unions, have the same working conditions, with one or two exceptions; and there is an example of where proper planning was not used, and as a result there are 4,000 trained shipyard workers who have to go somewhere else, if there is work some place else.

Senator KILGORE. Whereas, if the work had been continued, both could have continued?

Mr. RUDLOFF. Yes.

Senator KILGORE. And you are over-working 18.000 or 19,000 with longer hours than is really good economy in a shipyard?

Mr. RUDLOFF. That's right.

The one shipyard that had 20,000 in November 1943, had on the surface apparently good labor relations and they had functioning very well a good labor-management committee, whereas, the other one for some reason or other does not recognize the fact that a labor-management committee can help, and just won't do business at all.

I mean, those are just actual facts.

We are here to urge the immediate adoption of over-all legislation to meet the requirements of a changing situation.

We know that cut-backs are necessary.

But when they are planned, and they should be planned in advance, not simply announced the day before they happen, they should conform with established manpower requirements and policy.

It is obvious that the best policy is to arrange cut-backs where possible in critical manpower areas, where the workers can be absorbed quickly by other plants that still need them.

That policy has not been followed in cutting back in New York City. New York is not a labor-shortage area, it is an area with an oversupply of labor.

And I might add, with an oversupply of available facilities.

The cut-backs could have taken place in labor-shortage areas, where the released workers could have been absorbed at once, if there had been the proper coordination and advance planning before the cut-backs hit us.

In fact, today, the War Manpower Commission wants those released workers thousands of miles away in other plants.

We cannot afford the luxury of another rebacle such as Brewster. That would bring demoralization not only to the war workers in the city, but to the plant owners and business interests who have been starved for war contracts and denied civilian work.

In raising this question the C. I. O. is concerned not only with its own members, but with all members of the community. We realize too well the consequences to small business, to storekeepers, to landlords, to every member of this vast community.

As a spokesman for 600,000 workers in the New York City area, let me make it perfectly clear that our first concern is pushing on with the war.

Until we are certain that the war is actually won by the force of our arms we dare not permit any plant capacity to go to waste or skilled men and women to be dumped out of war jobs.

That is tragic waste that is easily avoidable if Government, industry, and labor cooperate in trying to make the most use of what we have. Lay-offs such as those that have occurred in New York, occurring while Donald Nelson calls for more war production and the War Manpower Commission calls for more workers, only emphasizes the widespread fear that other war workers will suffer the same fate.

If workers do not feel secure in their jobs or are not assured of adequate notice in advance of lay-offs they will start shifting to other jobs they consider more secure.

This will sharply increase labor turn-over and play havoc with our already serious manpower problem. The same will happen to industry. It will relax the incentive of both labor and industry to produce to the utmost.

Let me assure you that labor is not trying artificially to keep any specific plants on war production.

We question, first, whether the mechanism now exists to explore fully the possibilities of keeping plants in war work in areas such as New York. But if a capable agency such as that set up by the Kilgore bill determines there is no need for these plants on war work then it is time to change over in New York to manufacturing much-needed civilian goods.

This requires allocating raw materials on a priority or quota basis.

But even more important, it requires some planning and some integration of the work of various agencies.

Government must enlist the initiative of industry and labor, both in devising these plans and putting them into practice. It is a prime war objective.

Otherwise we shall demoralize the war effort. And it is easier to do it now than a year from now.

For now we are still working under the urgencies of war; there are compelling reasons for our planning and working together. These reasons will seem less compelling and less forceful in the months to come.

But only this kind of preparation now assures us of victory and the building of a durable peace.

The Kilgore bill, S. 1893, provides this kind of preparation, and the effective mechanism to make it work.

As Philip Murray, president of the C. I. O., has pointed out before the Post-war Committee of the Senate, the Kilgore bill recognizes that the problem we face is right here and now and it sets out to provide the necessary measures to deal with the problem.

We join with Mr. Murray in saying that the only way to avoid large-scale unemployment is to start now to operate a full-employment economy.

This means entering upon a program of cooperative endeavor by all the leading groups in the Nation, first to set voluntary goals by industry and by the community, and then to agree as to how we are to attain those goals.

In such over-all legislation to cope with the continued mobilization for war production and the problems of reconversion for peace, the C. I. O. is deeply concerned not only with the urgency of the need, but as much with the continuance of active labor participation, in cooperation with other groups, as President Murray has pointed out.

The effective cooperation of industry, labor, agriculture, and the public is paramount in the continuing task of mobilization for war production and for the full use of machinery, manpower, and materials now and in the days ahead.

We in the United States have achieved a record of industrial production unparalleled in history. We shall be thankful for our great output in the trying weeks to come.

This record output was built in a large measure on an even greater record of labor-management-Government cooperation. This teamwork of industry and labor with Government has made possible the gigantic offensive now being waged by ourselves and our allies on many fronts.

We earnestly believe that there can be no relaxation of this teamwork as victory draws near and we begin to face the even more complex

problems of peace. The period of reconversion, the period of peace, will be even more trying than the period of conversion to war. In converting to war, all of us had the pressure and discipline that comes from the knowledge that somehow or other things must be done or the war just wouldn't go on.

That pressure will relax.

And what must take its place is the concerted effort to avoid confusion, doubt, and chaos through a planned, joint course of action, through machinery that will effectuate these plans and programs, through joint consultation in putting them into practice.

The C. I. O., therefore, believes it of decisive importance that the machinery for reconversion provide for the fullest participation of labor and of other groups in every step.

Labor representation in the long period of economic and human readjustment which we face is an indispensable assurance that the transition will use our resources to the maximum and with a minimum of conflict and chaos.

To help insure labor-industry cooperation, we urge that you give considerable thought to the kind of representation and cooperation that is most fruitful in this period.

We have had much experience with advisory committees and boards and even semijudicial, semiadministrative joint boards in the war period. There are some valuable lessons to be learned from this experience.

We might add up some of these lessons as follows:

First, the joint boards should actually be consulted on policy and not be used as window dressing.

Second, they should enlist the services and thought of the best representatives of the various groups.

Third, they should provide means of exchanging and reconciling divergent points of view.

Fourth, the representatives of these groups, meeting jointly, should provide the channels for the most clear-sighted and progressive thought of the groups they represent, and they must be given the sense of responsibility for action that will enable them, in turn, to activize their own groups for great programs.

Fifth, to aid in these efforts, the joint consultative bodies should be provided with technical information and staff so that their participation in policy will be informed and specific, rather than vague and general.

Senate bill S. 1730 negates these lessons almost entirely.

Its third revision, dated June 9, 1944, permits the Director of the Office of War Mobilization to consult with representatives of labor, industry, and agriculture. This will give them no sense of participation whatsoever.

The experience of the War Production Board with labor advisory committees particularly demonstrates that such permissive consultation results in few committees, in unsatisfactory representation, and in general futility.

Even worse in the provision for separate committees of labor, industry, and agriculture. This defeats the entire purpose of such committees.

If you want cooperation, as we in labor know only too well, the best way to get it is by sitting down across the table.

As a matter of fact, the separate committee idea of S. 1730 would actively prevent cooperation of the groups, and set at nought the lessons we have learned during the war.

It reminds us in labor of the barbaric days before collective bargaining, when labor met in one room, industry in another, and the Government representatives kept shuttling back and forth between them for days at a time, attempting to interpret one to the other, to the disadvantage of all. We have put those days behind us, except for some fossil remnants still lying around.

Senate bill 1893, on the other hand, provides the kind of representation and the mechanism that is designed to get the best results out of the various groups.

It creates a Joint National Production Employment Board with equal representation from industry, labor, agriculture and the public, appointed by the President.

The members have a sense of responsibility as group representatives in participating in the decisions of the Office of War Mobilization. They are in a position through staff and access to data to advise intelligently on policy. And with this sense of responsible participation in policy, they can secure the maximum cooperation and participation of their own groups locally in war mobilization and postwar adjustment.

As President Philip Murray has said—

this is in no sense an executive board, but neither will it be a mere figurehead to be consulted or ignored as the Director of War Mobilization or other officials might please.

Such a joint board will have the right to initiate necessary studies of policies and programs, and will advise Congress of the results of its studies.

The proposals in S. 1893, we submit, provide a method of labor-industry-agriculture representation that is real and responsible, and therefore effective, and one that will ensure the success of the program in the difficult days ahead. It is an indispensable part of the legislation proposed.

Senator KILGORE. Now, isn't it your idea—I gather from the prepared statement—that in the necessary cut-backs that will take place as the war progresses, this should be guided and directed by a central agency, so that they will take place in areas in which the workers can be mostly used for other war work, or, if there is no war work, they can be channeled right back into consumer goods for civilian industries.

Mr. RUDLOFF. That is correct.

Senator KILGORE. That must of course be controlled by a central director.

Is that right?

Mr. RUDLOFF. I personally believe that is the only way that it could function properly.

Senator KILGORE. In other words, it couldn't be operated by 15 or 20 agencies with only separate conferences.

Mr. RUDLOFF. The only thing you could get out of that would be confusion and delay.

Senator KILGORE. Now, your idea of the board is that the production and employment boards should be one board in which there are

representatives from the various phases of the program to meet in conference.

They can have their little caucauses among their own little individual groups if they want to, but their action would have to be joint action.

Mr. RUDLOFF. Correct.

Senator KILGORE. And not have separate action on separate boards, each representing its own phase. Is that right?

Mr. RUDLOFF. That's right.

Senator KILGORE. And the question of unemployment compensation should be closely integrated and completely controlled by the same board that directs the plant cut-backs or shut-downs, and that same agency should handle the necessary migration of workers to go back to jobs that can be found for them.

Is that right?

Mr. RUDLOFF. Absolutely.

Senator KILGORE. All right. Those are all the questions I have to ask. If there is anything else that you have I will be glad to hear it.

Mr. RUDLOFF. No.

Senator KILGORE. If not, thank you very much.

Now, the next witness I believe is Mr. Howard Simon.

Mr. SIMON. Yes, sir.

STATEMENT OF HOWARD SIMON, PRESIDENT OF LOCAL 1227, UNITED ELECTRICAL, RADIO AND MACHINE WORKERS OF AMERICA

Senator KILGORE. Mr. Simon, I believe you are with the United Electrical Radio and Machine Workers of America in the New York area.

Is that right?

Mr. SIMON. That's right. I am the president of Local 1227 of the United Electrical, Radio and Machine Workers of America representing New York and northern New Jersey, comprising approximately 87,000 members.

Senator KILGORE. All right.

If you have a prepared statement furnish one to the reporter so that he can make his notes, and if you don't object, I would like to ask questions as you go along.

Mr. SIMON. Perfectly agreeable.

Senator KILGORE. All right.

You may just go ahead and if I see something I want to enlarge upon I will ask you questions.

Mr. SIMON. Thank you, Mr. Senator.

The United Electrical, Radio, and Machine Workers of America have played an important role in the program of conversion to war production. We have been instrumental in aiding in the conversion of the washing-machine industry, the refrigerator industry, the typewriter industry, and many others into the war production program. I might even say that our union has been the most potent force in pushing both Government and industry into converting parts of our industry to war work. It has been a painful job. Our union therefore

is vitally interested in legislation dealing with the problems flowing from contract termination and cut-backs. We feel that these problems constitute part of the need for continued mobilization for the war effort even more than for the post-war period.

Senator KILGORE. Now, I want to interject one question there.

In the New York area you had a number of conversions of smaller plants from a peacetime basis, such as refrigeration manufacture, or washing-machine manufacture, as you say, to war matériel.

Mr. SIMON. That is correct.

Senator KILGORE. And in that conversion, of course, there was practically no question of unlimited capital to be used; the question of expense meant nothing; the question of time was of the highest import.

From your observation, how long did it take to convert one of those plants?

Mr. SIMON. Well, the conversion of the plant depended in many of the cases first upon the size of the plant, and the character of the job that was demanded of it for the war period. That would vary from a small plant that might be making parts for typewriters to move into parts for small shells or trigger mechanisms or something like that, of a very short period of a matter of a few weeks, the time involved in retooling machines; but if it was necessary to replace one machine for another, or change lines, then the period extended to as high as 3 months—4 months, in some of the cases.

Senator KILGORE. Now, the reconversion back to peacetime of such plants, in which time to the owner is not as essential as it was to the Government to get that conversion made in the first place, is naturally going to occasion a greater length of time, isn't it?

Mr. SIMON. I will say this, there isn't the compelling force that there was for war production.

Senator KILGORE. No.

And naturally, there will not be the volume of labor used.

Now, in the conversion of those plants, compared to the number of men who work in the plants, approximately how many men would be required to reconvert the plants?

Mr. SIMON. Well, always in a period of conversion you run with a much smaller force than in a period of production; that force which may be involved in your tool work, maintenance work, and so on, for rearranging the different facilities.

Senator KILGORE. So if a conversion takes place on a direct cut-off, you will of necessity have a larger lay-off than if your conversion is started immediately?

Mr. SIMON. Well, in most plants conversion can begin to take place while war production is still in production.

Senator KILGORE. And when you do have a cut-off, you have a large lay-off in the number of personnel?

Mr. SIMON. Yes.

Senator KILGORE. Now, if the cut-back could be made gradually, the conversion in manufacture can go along simultaneously with practically the same personnel?

Mr. SIMON. That is absolutely correct.

Senator KILGORE. So that when you come off one item that you are making, you are practically in shape to start the other one down the line, is that right?

Mr. SIMON. That is correct. In a shop, as you narrow down a given department, workers can be freed from that department to begin the production of——

Senator KILGORE (interposing). And, incidentally, wouldn't that also save an awful lot of partially fabricated items?

Mr. SIMON. Yes, very definitely.

Senator KILGORE. You wouldn't find yourself with a whole lot of parts lying over here because you will be able to absorb those parts in the finished product that is coming, in a diminished number, off the assembly line?

Mr. SIMON. That is correct.

Senator KILGORE. All right.

Mr. SIMON. We do not feel that this is a special problem for us in New York—that is, the question of our contract terminations and cut-backs, and so forth—but we are prepared to show you how we are being affected in this city, and why there must be national legislation at once.

New York is most hard-hit by reconversions because the bulk of our plants are small manufacturers, with the exception of a few large companies, such as Sperry. This means the majority of the plants are subcontractors, making parts, fittings, and subassemblies for larger plants and prime contractors throughout the country. That is why the cut-back or termination of contract anywhere in the country may affect one or more of our plants in the New York area.

We should point out that presumably because New York is located on the seacoast and because of other factors, it was one of the last cities in the country to get into war production, although it was and is one of the largest consumer-goods producing centers. The working people of this area suffered as a result of that through unemployment when production needs and labor shortages in the Nation were mounting. Now that many war orders are being cut off New York, the last to be put in war production, is one of the first areas in the country to be hit, and hit hard.

We do not come here to plead for the continuance of unnecessary war production. That is wasteful, and American labor rejects it. But we do know that now that cut-backs are taking place, many former critical materials are available. We therefore come here to ask for a plan that will guarantee that our facilities and our manpower will be fully utilized as long as there is war work available. Further, to the extent that such war work is not available, the limitation and restricting orders of W. P. B. should be lifted to permit necessary and vital consumer production to fill the gap.

We have a whole series of plants in this area that have already been either completely cut out of war work or have had their hours cut to such a degree that the workers are not permitted to contribute fully of their skills, nor the plants of their capacity. There is, for example, the General Arc Lighting Co. completely cut out of war production by the termination of their contract. One Saturday morning the management of the plant called the workers together and told them to go home at noon, that he had just received word that their contract had been canceled. This is a small plant—only about 100 workers. It happened about a month before the Brewster shut-down. Yet this plant is typical of a problem that is probably

going to be repeated a hundred times for every major plant that is cut out of the war production program. For example, the shut-down in Brewster resulted in the termination of contracts to more than 127 subcontractors.

Senator KILGORE. By the way, getting back to that question—which may be of interest for the record—of the wastefulness of that complete cut-off, after the Brewster shut-down an endeavor was made to see if they couldn't use the partially fabricated parts from Brewster at Chance Vought and Goodyear, and we discovered that, due to different shop practices existing in the three plants, none of the partially fabricated parts on hand at Brewster—except, of course, instruments and things of that kind—could be utilized without complete rebuilding by either Chance Vought or Goodyear.

Mr. SIMON. That is very interesting.

We have had similar contract cancelations—that is complete cut-offs—in the cases of the Quartz Products Co., the Diamond Tool Co., and many others.

Most of the plants involved in this area are small plants having a number of subcontracts. Many of those plants have already suffered a reduction of hours, due to the fact that one or more of their contracts have been terminated.

A plant such as Bijur, making pressure lubricating systems, is running with a small crew 40 hours per week. Liquidometer, making gages for submarines and aircraft; Hammerlund, in the radio field; Sonotone, making electronic tubes; Fairchild, making aerial cameras; American Radiator, making magnesium bombs; Waldes, making parts for torpedoes; and Sperry, on its searchlight program—all have suffered a sharp reduction in working hours. Finally, the last two examples, most recent and most dramatic, have been the closing of the Brewster and Alcoa plants in Queens.

The point has been made that the closing at Brewster was the first of its kind and that it represented a warning of others to come. Gentlemen, cut-backs are all about us. We in the United Electrical, Radio and Machine Workers have already experienced the closing of the small-arms plants in the St. Louis area. These shut-downs preceded the Brewster case by many months. In St. Louis, 14,000 workers in the United States Cartridge plant were laid off due to a cut-back in small-arms production. This lay-off took place in a group 4 labor area, just as the termination in the Brewster and Alcoa cases. Group 4 is the loosest labor area, where labor is plentiful. Frankly, this kind of shut-down in an area where both labor and facilities are plentiful, if it is not followed immediately by a substitute program, is wasteful and criminal.

We feel that terminations should take place first in critical areas. In the small-arms cut-backs, the critical manpower areas in Connecticut were hardly even touched, while the loose area of St. Louis was made even more loose by the cut-back. Further, just as in the terminations in Brewster, no one, neither the management nor the union, was given prior notice of the terminations.

Senator KILGORE. Just as an illustration, no later than the first of this week five different companies had labor recruiting parties in my State of West Virginia, seeking to cull out some more labor out of West Virginia to move to highly critical areas.

Mr. SIMON. We know also the experiences in the lay-offs at Alcoa, for example, where, according to the reports of the United States Employment Service, workers from that area were requested to go as far as British Columbia and the Midwest and the South and other places, to fill needed jobs, and very few of them were hired in that particular area.

The fact of the matter is that these families were families that lived in the area around the plant, in Maspeth, Queens, and it was a very difficult problem to expect these workers to uproot themselves and to go to other places in search of jobs.

Senator KILGORE. I was told at Brewster that the least of their problems was manpower and transportation; that all of their employees lived within reasonable tube or streetcar range of the plant, and could use normal municipal or commercial transportation to get to and from work.

Mr. SIMON. That is right, and many of them walked to work.

Senator KILGORE. Yes; tremendous numbers of them were able to walk to work, they were so close.

Mr. SIMON. That is right.

Senator KILGORE. Incidentally, I was told that months ago, before there was any question of a shut-down there.

Mr. SIMON. I am not attempting to tread on the ground of the United Automobile Workers, who, I understand, are going to testify later, but of the 5,000 laid off in the Long Island City area, up until the middle of last week only seven-hundred-odd had been reemployed. One of the reasons is that they can't get jobs which would give them an opportunity to continue the skills that they have been using in the Brewster plant. However, the Goodyear and Chance Vought plants are in more critical labor areas, and these workers could have been reabsorbed if they had been laid off there.

We have other examples of the need for coordination and planning, as in the case of Sperry. The Sperry plant at the present time is laying off workers. At the same time a subsidiary of the Sperry Co.—the Ford Instrument Co.—is hiring workers. There is no real coordination between the lay-offs in Sperry and the hirings in Ford. Many skilled workers are being lost to the industry and new workers are being hired, unfamiliar with the trade, who have to be broken in.

We need the kind of coordinating agency provided in the Kilgore bill, with power to coordinate manpower and production needs and not just the power to umpire. We need an Office of War Mobilization and Adjustment that would be directed to work out the policies and program for guaranteeing that the problems of conversion would be part of the whole program of war mobilization.

We feel that full war production should me maintained, and that as workers and facilities become freed they should either be given other war work or they should be put into important consumer goods production.

We need the requisite powers in the W. P. B. and in the Production Program and Reconversion Committee set up by the Kilgore bill to provide the machinery for effectuating this integration. It would be necessary for this committee to work out definite formulas to fill the gaps that will take place as a result of necessary contract terminations. The experience in New York proves that what we need is

an agency which shall be directed to formulate such a plan and an agency to put the plan into action.

Gentlemen, this is not a post-war problem. If you here do not solve the problem now, you will be hurting the war effort. For it is a matter of maintaining the highest productive effort now to guarantee victory. Such coordination as provided for in the Kilgore bill would go a long way toward easing the minds of the workers in the shops in the New York area. The termination of contracts that is taking place, the cut in hours, are leading to a feeling of complacency on the one hand and insecurity on the other.

There are two main solutions. One is further war work. I cite this example from our own experience. At the present time, there is a sharp need for heavy artillery and for rockets. The Ammunition Branch of the Ordnance Division of the Army is looking for facilities to produce parts for this program. Yet when we came down here on Monday with a proposal to bring some of this artillery program into one of our shops that had the tools and facilities, the representatives of management and of labor had to act as a sort of one-man Office of War Mobilization, running from one agency of the Government to another trying to line up the work.

This is a typical example of what happens from a lack of coordination. We have plants that have open facilities for the rocket program. We have skilled workers available. Yet because of the lack of a coordinating agency which is directed to plan this program, it is up to the individuals to get the jobs for themselves. It results in wasted manpower and idle facilities, and it puts back the war program.

The second alternative to continued war production is the resumption of civilian production. We in New York are the greatest consumer-goods producing area in the country. We have the facilities, we have the labor. Moreover, due to the same kind of lack of foresight and planing and coordination at the beginning of the war effort that we now complain of in reconversion, we have many facilities that have never been converted to the war effort. I want to stress that this is no fault of ours. We sought war work; we cooperated with industry in hammering at the doors of the procurement agencies to get subcontracts and prime contracts. But that is the present situation.

This means that many of our shops could begin now to go back immediately to consumers' production without in any way affecting the war effort. For example, we have shops in New York that produce silver hollow ware and kitchen utensils. All over the country, war workers need these articles, restaurants feeding war workers need them. These plants could right now resume civilian production, in an essential category, I might add. But they cannot do so until the W. B. P. restrictions on materials are lifted.

Senator KILGORE. Let me ask you this question. Your kitchen utensil and hollow-ware plants could use aluminum in making these utensils, couldn't they?

Mr. SIMON. That was my next statement, Senator.

Senator KILGORE. All right.

Mr. SIMON. And yet, at the same time, the Alcoa plant in our own city has been closed down because of a surplus of aluminum, the chief material needed for these kitchen utensils.

Isn't it perfectly obvious that we desperately need the kind of coordination that would see to it that these aluminum facilities were continued to produce materials to be worked on in the shops turning out needed kitchen utensils? Why should each one of the shops concerned have to hurry down to Washington, pull strings, call for hearings, and pound on doors of procurement agencies, in order to arrange—each for itself—what could be so easily arranged in an orderly manner by the right kind of coordinating agency with sufficient power?

This is our problem. This is the problem of the overwhelming number of shops in the country. We need a coordinating agency, such as provided in the Kilgore bill to be established now to guarantee full production in war and to continue it in the desperate days of reconversion and in the peace.

We feel that Congress should not recess until over-all legislation assuring this coordination and providing for the human factors in reconversion is taken care of.

Senator KILGORE. Thank you very much, Mr. Simon.

Senator Murray, do you have any questions that you want to ask?

Senator MURRAY. No. I am very sorry that I made engagements for all day today, and I will have to leave again pretty soon. Mr. Richter, I understand, is going to testify, and I would like to hear his statement, if I could, before I have to leave.

Senator KILGORE. All right, is Mr. Richter here?

Mr. RICHTER. Yes.

Senator KILGORE. We also have Mr. Kerrigan scheduled; is he here also?

Mr. RICHTER. No, sir.

Senator KILGORE. Will you make the statement for Mr. Kerrigan?

Mr. RICHTER. Yes, Senator.

Thank you very much for coming down, Senator Murray; I know you are a very busy man.

Senator KILGORE. Proceed, Mr. Richter.

STATEMENT OF IRVING RICHTER, NATIONAL LEGISLATIVE REPRESENTATIVE, UNITED AUTOMOBILE WORKERS, CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. RICHTER. My name is Irving Richter; I am the national legislative representative of the United Automobile Workers, C. I. O.

Mr. Kerrigan, our regional director for the New York area, was going to come down but a new situation has developed involving some cut-backs, and he is giving them his personal attention.

I would like to first start by saying that I have just received a telephone call from our people in Philadelphia. The first they heard of this Budd contract cancelation was a report they read in the newspapers this morning. Eight thousand people are to be laid off with no notice whatever.

Senator KILGORE. What does that cancelation involve?

Mr. RICHTER. It is a cancelation of a stainless-steel experimental plane that they have been working on.

Senator MURRAY. What agency is that?

Mr. RICHTER. The War Department, Senator Murray.

Mr. SIMON. No; it is the Navy Department.

Mr. RICHTER. I had understood it was the Army, but I am advised by Mr. Simon that it is the Navy.

Senator MURRAY. When was the notice of this cancelation issued?

Mr. RICHTER. They had no notice, Senator; they read about it in the paper this morning, and while the paper announced that the War Manpower Commission had been informed about it, the local representatives of the War Manpower Commission told them that that was the first they had heard about it.

Senator MURRAY. Did Mr. Wilson's committee of the War Manpower Commission know anything about it?

Mr. RICHTER. I didn't have a chance to look into it. If they did know about it, they didn't notify the labor people. Here is a newspaper story on it, Senator [hands clipping to Senator Murray].

Yesterday, the Washington News carried a story by a Scripps-Howard feature writer, about Detroit. It spoke of the peace jitters seizing Detroit. This writer had made a rather intensive study in Detroit and his conclusions were that there was absolutely no evidence and his conclusions were that there was absolutely no evidence that he could find of any planning being done for this conversion period and the post-war period; and that not only labor, but management in the industry, was jittery.

Senator MURRAY. This was a statement appearing in the press?

Mr. RICHTER. Yes, sir; this was a feature story, and the reason I bring it out——

Senator MURRAY (interposing). You haven't got that feature story here?

Mr. RICHTER. I don't have it with me, but I will get it for the record. It was written by a Scripps-Howard feature writer and I assume was a syndicated article. The reason I mention it is that it confirms so completely the reports we have had from Detroit at this time.

(The article referred to is as follows:)

DETROIT HAS PEACE JITTERS

(By Edward A. Evans, Scripps-Howard Staff Writer)

DETROIT, June 12.—Though sharing fully the Nation's pride that the first week of the invasion has gone so well, Detroit is developing an acute case of peace jitters.

It grows out of a belief that Washington is almost completely unprepared for the vast task of industrial demobilization, which may face the country within a few months or even weeks.

Official warnings against overoptimism concerning an early defeat of Germany are taken seriously here. But leaders of the automobile industry look for a sharp decline in war production soon if the invasion's progress continues to exceed expectations.

They fear that a flood of war contract cancelations and cut-backs may come before the Government is ready with any coordinated plan for smoothing and speeding the transition back to production of civilian goods and for saving millions of war workers from many months of unnecessary unemployment.

Nearly 4 months after the Baruch-Hancock report was issued, they point out, Congress has enacted none of the legislation it recommended. The House is still delaying action on the contract-termination bill, which passed the Senate unanimously weeks ago.

In a speech here last week, War Production Boss Donald Nelson asserted that "we are going to make the resumption of peacetime operation dovetail into the declining war economy." But if, as Mr. Nelson added, "the change-over machinery is ready" Detroit can see no evidence of it.

A few days before the invasion, Mr. Nelson did appoint a committee which is supposed to direct the War Production Board's part of reconversion. The Brewster Aircraft Corporation case, however, seems to many men in the automobile industry to have provided clear evidence that the change-over machinery is not ready, and not even in existence except perhaps on paper.

Word that War Mobilization Director Byrnes will go before Congress today to urge action on the Baruch-Hancock program was welcomed here, but there is little expectation that Congress will do more than pass the contract-termination bill—if that much—in the less than 2 weeks before its contemplated recess for the Republican National Convention.

And there is a great deal more that needs to be done.

The automobile industry, occupying a key position in the national economy, has been given no assurance that its plants will be cleared quickly of the Government-owned machines and materials which now fill them. It has not been permitted to buy the new tools it will need for making civilian cars or to use the small amounts of material its engineers and designers want for experimental work. Its next meeting with War Production Board officials for discussion of reconversion plans is set for mid-July, by which time cut-backs and cancelations may be reaching large volume.

It fears that, unless Washington gets a mighty move on very soon, plants will be closed down with no chance to begin a prompt change back to production of automobiles, and workers in Detroit and many other manufacturing centers will be out of jobs for months longer than they might have been if the warnings of industry and the recommendations of the Baruch-Hancock report had been heeded in time.

Mr. RICHTER. I understand, Senator Murray, that one of your staff people has just returned from there, and I imagine that he has told you a similar story. He has talked to a few of our officials in Detroit. I believe his name is Timber.

Senator MURRAY. I don't know of anybody by that name.

Mr. RICHTER. I may not have the name right.

Senator MURRAY. There is a Mr. Terman, and it may be he. I don't know; I am not sure.

Mr. RICHTER. But, anyway, his findings are what we are concerned with, and they, from the report I get, confirm what this Scripps-Howard writer found, and what we have had from our own people in the city.

I mentioned the other day, when you gentlemen and Senator Mead heard a few of us, that we had a report that 140,000 additional aviation workers were to be laid off between now and December—these on primary contracts alone.

In other words, this has become a very acute problem, it is a problem that—as Mr. Simon just mentioned—is not a post-war problem, it is a problem facing us today.

Senator MURRAY. The reason for your discussing it here now is to impress the Congress with the need for quick action on this legislation?

Mr. RICHTER. Yes, sir.

Senator MURRAY. Well, I think that everybody recognizes that now and everybody is making the statement that we must hurry up and put this legislation through, and that we mustn't adjourn without it; so I don't think there is any need to prolong that discussion.

Mr. RICHTER. Only this morning Senator George told us—not here, but I saw Senator George before coming here—that he was afraid there was to be a long recess without action on this. He personally is convinced that there should not be such a recess until this problem is settled. I am just repeating that, Senator, because there is no evidence that the Senate will act on it.

Senator MURRAY. I think other members of Senator George's committee have expressed themselves the same way—and so have I—on several occasions, both publicly and privately.

Mr. RICHTER. I know how strongly you feel about it, Senator Murray, and I imagine that if you hadn't had any legislation your trip to the Brewster plant and your first-hand knowledge of this case, would have changed your mind.

Senator MURRAY. Yes.

Mr. RICHTER. I am not addressing myself to you particularly on this delay.

Senator MURRAY. Everybody seems to be agreeing with that. Justice Byrnes, in his testimony the other day, insisted on immediate action, and I think that everybody who has given any thought to it is expressing himself along that line, that we should not adjourn without having this legislation enacted.

Mr. RICHTER. Well, we would like to see it, Senator, and we would also like to hear Senator Barkley announce that the Senate would not adjourn until action is taken on this. So far such a statement has not been forthcoming.

Senator KILGORE. What you are trying to do, Mr. Richter, is impress on those Members of the Senate who have not been engaged in studying this question, the need for continuing the session until the legislation is passed?

Mr. RICHTER. Yes; I am not addressing these remarks to this committee particularly.

Senator MURRAY. I think the matter ought to be brought up in the Senate at the next convening of this session, and I am on record and willing to take the stand that there should be no adjournment until this legislation has been enacted.

Senator KILGORE. So am I.

Mr. RICHTER. Now I would like to touch on one phase of this that hasn't been developed yet, before going into the specific bills.

We, in our union, are confronted with a serious problem of preventing strikes in order that we may adhere to the no-strike pledge. It is very difficult for us to go into plants and tell the workers that we have got to have this production, that the war is not won yet, when they see all around them as an example, a situation like Brewster, where they see lay-offs pending and no provision being made for transferring these workers to other essential war work, or to essential civilian work. That is a real threat to the prosecution of the war.

Now, Mr. Patterson, when he appeared on the question of national service legislation, said that there would be panic and exodus from war work to peace work before we licked Japan, and therefore that we needed a National Service Act.

Well, we agree that there is danger of an exodus and danger of a panic before we can deliver this knock-out blow, and the only constructive step that can be taken is legislation such as you have proposed, Senator Kilgore, in order to avoid the use of compulsion which, in any case, won't keep the boys on the job.

Now, I have a prepared statement which I don't want to read because I know Senator Murray wants to get away. I just want to touch on two major points in the two bills.

Our regional director for the South, where we have a number of aircraft plants, and I met with Senator George today primarily to discuss the Murray-George bill, together with the Kilgore bill.

We know, as I have told you privately, Senator Murray, that unless you three fellows can get together we are not going to get a bill through this year.

Senator MURRAY. Well, I have been begging and praying that we could get together and begin to work on the language of a bill. All we have done so far is to have hearings and talk. Now we can keep talking and telling the public the need for prompt legislation and all of that, but that isn't going to get it. The only way we can get it is to get these Senators to sit around at a table and prepare a bill. I don't know any other way. If you can tell me any other way I can get a bill out here I am willing to go along with you, I am for a bill. But the only way I know of getting a bill is to have somebody write it.

(Discussion off the record.)

Mr. RICHTER. It is perhaps because our union is involved to a greater extent than any other single union, that we have been spending a great deal of time trying to get something out, and I asked Mr. Starling to come up from Atlanta for this meeting because I know Senator George is one of the key people in this.

So we discussed with him what we consider the two main propositions of the two bills to be, and the different versions of those provisions.

The first was the section of S. 1730 which establishes representatives of labor, industry, and agriculture in separate bodies. The point we made to Senator George was that what we need in this country is more unity, and not less; and that getting these people to meet separately will not solve the problems that are going to be confronting the entire country; that if the industry people want to meet separately at any time they can do so in their hotel rooms or any other place; but that this board should really be a tripartite board where they could sit across the table and exchange their ideas and convey them to the executive authorities of the agency.

Senator George concurred with us on that.

Senator MURRAY. I have always been willing to concur on that. The only reason I was willing to go along the other way was that the argument was made that if you have them all in one group it is going to be more difficult for them to agree on things; that if you have labor sit around a table with their own group, they can determine what they want; and that agriculture can do the same thing and industry can do the same thing; and that they can then come together and see if they can't agree on the over-all.

Now it is immaterial to me. I will accept the proposition that you are making there, it is all right with me.

Mr. RICHTER. Thank you, sir.

Now to speak about the question of coordinating the various procurement agencies. In the Murray-George bill, section 201 does give the Director the authority to coordinate the activities of other executive agencies; but further on in the bill it states that any contracting agency shall terminate prime contracts for war production whenever,

in the opinion of the agency, the performance under such contracts will not be needed for the prosecution of the war.

Senator MURRAY. The subsequent language of the section, though, points out that that can only be done under the policies and regulations that are set up there, and that covers that.

Senator KILGORE. Senator Murray, if you will remember, we yesterday agreed that we would modify section 201, as written in S. 1730, by stating specifically in the section that they shall only terminate with the previous advice and approval of the Director.

Senator MURRAY. That is right. Of course that would be the result anyway because my understanding of the rules construing a legislative act is that all the terms and provisions of the act must be considered in construing what the act means.

Now the subsequent provisions in there go on to show that those contracts could not be terminated without following a certain procedure. But I am perfectly willing to have it made extremely clear by having that amendment put in that you have mentioned that I agreed with you on the other night when we talked about it. I recognized then right away that that would not change the bill at all, it wouldn't change the provisions.

Senator KILGORE. It doesn't change your intent in the bill.

Senator MURRAY. No; I would say that there wouldn't be a court in the United States that would construe that bill, the way it was written, as giving any agency at will the power to terminate a contract without paying any attention to the other provisions.

Mr. RICHTER. Well, if there is agreement on that I will go on to the next point.

We discussed with Senator George the unemployment compensation provision. The latest draft of S. 1730 does not contain the amounts, and we raised, with Senator George, this question of the 80 percent maximum in the Kilgore bill, citing the fact that if you provide a flat absolute minimum of, let us say, $20, or whatever it is, in some cases that might be above the actual earnings. So he was in favor of the 80 percent.

Senator MURRAY. I would be in favor of 80 percent too, but you should consult the Social Security Administration there and they will tell you that that is an administrative impossibility. That is a problem for your organization to work out. I will agree on the 80 percent; I will agree to 90 percent, to show you what a good sport I am; but the people who are going to administer it say it can't be done. Now you work that out with them.

Mr. RICHTER. Have they provided your committee with a bill embodying an unemployment compensation provision?

Senator MURRAY. No; but they advised us in the formulation of this bill. However, we put that 80-percent provision in there without their consent and they now say that it is not feasible, not practical, that it is administratively impossible. Maybe if you cantact them you can show them that they are off their base. If you can do that I will go along with you and let them go.

Mr. RICHTER. Well, we feel that if it is practicable, and if it can be done, of course we want; if it is not practicable, we are not going to ask for it.

Senator MURRAY. I wish you would call them up right away and talk to them, as soon as you have time. They just left my office a few moments ago.

Mr. RICHTER. Are they to testify here?

Senator MURRAY. I asked them to write me a letter telling me what I have stated, that they said it was an administrative impossibility.

Senaor KILGORE. I think the best thing to do would be to ask them to come up here and state that on the record.

Senator MURRAY. That would be fine. Maybe you could have them called right now—because we haven't any time to waste and we ought to settle these things as we go along—and see if we can't have them up here tomorrow morning, unless you can get them to come up this afternoon.

Mr. RICHTER. Those are the major points we discussed with Senator George this morning.

Senator MURRAY. Another thing they told me was that the entire unemployment compensation provisions of the bill, as we have them set up there, have to be revamped in such fashion as to make it possible for us to pass it in the Senate, because if it is a tax measure, then, under the Constitution, we are not entitled to put it through the Senate, and if we do, the House will refuse to consider it because we are encroaching upon their jurisdiction.

Now we have to change it around in some fashion and they say that that can be done, and they are working on it now to put it in appropriate legislative language to enable us to get by that constitutional inhibition there.

Mr. RICHTER. I will submit for the record my prepared statement.

While Senator Murray is still here I would like to call on one of our representatives who have been working on the Brewster case since its termination, or rather since the termination of employment there. My purpose in asking him to come up here is to give you some evidence of what actually happens to the individuals who were terminated.

Senator KILGORE. You say that you have a prepared statement which you wish to submit for the record?

Mr. RICHTER. Yes, Senator.

Senator KILGORE. That may be incorporated in the record at the conclusion of your testimony.

(The prepared statement of Mr. Richter is as follows:)

STATEMENT SUBMITTED BY IRVING RICHTER, NATIONAL LEGISLATIVE REPRESENTATIVE, UNITED AUTOMOBILE WORKERS-CONGRESS OF INDUSTRIAL ORGANIZATIONS, ON CUT-BACKS IN NEW YORK

The cut-back at the Brewster Aeronautical Corporation plants last month focused attention on the administrative and legislative steps necessary for dealing with the decline in war employment which is already upon us.

At the insistence of the President, Justice Byrnes at the time of the Brewster cut-back called together the Joint Contract Termination Board to investigate the possibilities of providing Brewster with additional war contracts. While desirable and even necessary as an emergency measure, this sort of thing is obviously not a long-run solution for the period when total war production is on the decline.

Employment in durable-goods industries, now principally engaged in war work, has fallen off by almost half a million since the peak last fall. Mr. Byrnes is quoted as saying that in the year following the defeat of Germany employment in munitions industries may decline by as much as 50 percent. In the airplane industry alone employment is already substantially down and is expected to fall

by some 140,000 before the end of this year even if no further changes are made in the airplane program. That figure is for prime contracts only. There are no major offsets for these declines so far as war production is concerned. To take up the slack it is essential that we begin now to plan for an expansion of essential civilian production and for an export program far in excess of pre-war levels.

It is, therefore, important that Justice Byrnes in connection with the situation at Brewster call upon Mr. Charles E. Wilson of the War Production Board to look into the possibilities for other types of production at the Brewster plants. The production executive committee over which Mr. Wilson presides is the agency currently charged with responsibility for reconversion. The committee is now assisted by a new agency, the production executive committee staff set up explicitly to advise with regard to reconversion. This staff, I am glad to note, has on it representatives of the vice chairmen for Labor at the War Production Board, of the Office of Civilian Requirements and of the Smaller Warplants Corporation. All these agencies must work together with other parts of the War Production Board, with the armed services, and with the Foreign Economic Administration if further Brewsters are to be avoided.

But even this machinery is quite inadequate. Recognizing this fact, Mr. Byrnes announced 2 days ago that he had issued a directive giving the military cut-back subcommittee of the production executive committee of the War Production Board "a virtual veto power over contract terminations recommended by the procurement departments and agencies" (New York Times, June 13, 1944). This is a step in the right direction since it will force some prior consideration of cut-backs such as was notably absent in the Brewster case.

There is, however, an opposite danger inherent in this method of handling the situation. I have heard that the War Department has recently vetoed a severe cut-back in the production of one of the fighter planes because it was afraid of a public reaction similar to that developed by the *Brewster case* which might endanger public morale at the very time of the great invasion. What does this mean? It means that we may go ahead to produce war equipment which the armed services don't need simply in order to prevent a revolt of public sentiment. But consider the cost. When the cuts come, they will come all at once and have even more serious effects than if they take place gradually.

This is essentially a short-sighted policy necessary if at all only because of a basic lack of planning. We agree with Justice Byrnes that positive action is necessary. His assistants, Mr. Baruch and Mr. Hancock, according to newspaper accounts have even threatened to resign because of inaction on the reconversion front.

We go further, however, and insist that we need legislation of the sort embodied in the Kilgore bill and now sponsored by 10 Senators, many of them on this committee. The principal points about this bill which seem to us essential to an orderly handling of the situation which is now beginning to confront us include the following:

In the first place we applaud the stated objectives of the bill:

1. *Its insistence on the continuing priority of war production.*—It would be dangerous at this time to think in post-war terms only or even in terms of reconversion only. No plans now being made and no steps now being contemplated can be allowed to interfere in any way, shape, or fashion with carrying out to the full the war production program required by the armed services.

2. *Full production and full employment.*—We endorse wholeheartedly the second basic approach to the Kilgore bill best stated in the language of the bill itself, "To insure that the great momentum of the war mobilization which is bringing victory to our arms will not be lost, but will be reconverted into a peacetime transition program providing for full production, full employment at adequate wages, and full consumption in a steadily expanding civilian economy with rising standards of living for all."

We agree secondly with the over-all administrative provisions of the bill:

1. *Labor representation.*—The bill provides for a National Production Employment Board to consist of three representatives of labor, three representatives of industry, and three representatives of agriculture. The function of this Board is "to endeavor to secure maximum cooperation and participation of the American people in war mobilization and post-war adjustment. * * *" There is also provision for joint labor and industry councils to be set up on an industry and regional basis. We cannot conceive of an orderly approach to reconversion which does not contain these essentials.

The alternative bill also before your Subcommittee on War Contracts, the George-Murray bill, S. 1730, is far less satisfactory in this respect. In the version dated May 27, there was a provision requiring that the Director of the Office of War Mobilization and Post-war Adjustment shall consult with representatives of labor, industry, and agriculture "as he may deem necessary," but setting up no specific machinery for such consultation. In the latest revision of the bill dated June 9, three separate advisory boards are provided for—one for agriculture, one for industry, and one for labor. Surely Senator Murray didn't intend it, but this set-up is reminiscent of the Italian corporate state and will be bitterly opposed by organized labor.

I might add in connection with S. 1730 that it is difficult to know what its principal provisions are in view of the drastic character of its periodic revisions. With the exception of the point just noted, the changes fortunately appear to be in the right direction. .

2. *An over-all Office of War Mobilization and Adjustment.*—There now appears to be some agreement on the need for legislative sanction for an Office of War Mobilization to be clothed with the additional responsibility of coordinating and directing the process of reconversion to peacetime production.

But there is no agreement on the extent of the authority of the Director of such an Office. The Kilgore bill gives him authority to "unify the programs and activities of Federal agencies engaged in * * * production * * * economic stabilization; war production cut-backs; settlement of claims under terminated war contracts; disposition of surplus war property; resumption and expansion of civilian goods production; the training and placement of returning servicemen and civilian workers. * * *" And to "issue such directives on program, policy, and operations to the Federal agencies as may be necessary. * * *" The George-Murray bill in section 201 permits the Director "to coordinate the activities of other executive agencies," but provides further on that "any contracting agency shall terminate prime contracts for war production whenever in the opinion of the agency the performance under such contracts will not be needed for the prosecution of the war. * * *" Thus the authority of the various procurement agencies is continued in essentially unlimited fashion.

3. *A central planning agency.*—Within the Office of War Mobilization and Adjustment the Kilgore bill provides for a Bureau of Programs, an agency authorized to study and report on plans and programs affecting both war mobilization and peacetime full production and employment. We are gratified that the latest version of S. 1730, in response, we believe, to labor's insistence, now provides for a similar agency, a "Division of Post-war Plans and Projects." It fails to recognize the need for planning the war and post-war together.

Thirdly, we feel that the interim safeguards provided by the bill are the best which have been brought forward. If enacted into law, the bill would insure that returned servicemen and workers on the home front shall be treated alike with respect to placement in jobs, training and retraining, and in eligibility for unemployment compensation. The specific provisions of the bill which we endorse include:

1. *Unemployment compensation.*—"Interim placement benefits" are called for amounting for ex-servicemen to $20 per week for those without dependents and going up to $35 a week for those with three or more dependents. For others than ex-servicemen the bill calls for a maximum benefit rate of 80 percent of regular weekly earnings not exceeding $20 to $35 depending upon the number of dependents. Such benefits would be payable for a maximum of 2 years.

It is impossible to comment upon the corresponding provisions of S. 1730 because the essential figures have been omitted in the latest draft—those relating to amount and duration of benefits.

2. *Training.*—New jobs must be found for 25 to 30 million, counting both ex-servicemen and displaced war workers. The bill authorizes the Work Administrator, who operating under the general authority of the Director of the Office of War Mobilization and Adjustment, to provide for vocational educational training for a period not to exceed 6 months. It provides further that persons receiving vocational training shall be entitled to a maintenance allowance varying in amount according to the number of dependents.

3. *Extension of the Federal Employment Service.*—The Kilgore and the George-Murray bill both provide that the United States Employment Service shall be continued as a national operated system for a period of 2 years after the end of the war. Such a provision is essential to an orderly handling of the problem of transferring workers from war employment and from war areas to civilian employment.

4. *Transportation.*—A corollary to the above provisions is that workers who must move to another location in order to find suitable employment shall be assisted by the provision of funds to meet in part the cost of moving. The $200 limitation in S. 1730 will prevent needed redistribution of workers in relation to jobs.

In concluding my testimony I should like to say that the United Automobile Workers' Union is very glad indeed that so many Senators have joined sponsoring the Kilgore bill. They represent a considerable diversity of backgrounds and opinions. That they are willing to collaborate in pushing this essential legislation is a good omen for the cooperation among all portions of the population which will be necessary if we are to have an orderly reconversion period and if we are to achieve the continuation of full production and full employment in the post-war period.

Senator KILGORE. Now, what is the name of the witness you wish to have heard?

Mr. RICHTER. Leonard Schiller.

Senator KILGORE. All right; go right ahead, Mr. Schiller. First state your full name and connection?

Mr. SCHILLER. My name is Leonard Schiller. I have two connections with Brewster. First, I am a former employee of the Brewster Corporation, having worked there some 3 years; and I am now employed by the United Automobile Workers, C. I. O. as an international representative, working under the direction of Charles Kerrigan.

Senator KILGORE. All right, proceed, Mr. Schiller.

STATEMENT OF LEONARD SCHILLER, INTERNATIONAL REPRESENTATIVE, U. A. W.-C. I. O.

Mr. SCHILLER. I would like very much, gentlemen, to point out to you some of the consequences and effects since the Brewster lay-off, that have happened to our people formerly employed in that plant.

The number of people laid off was about 600 in Long Island and 1,500 in Johnsville. This does not include what has happened to some of the people in the 127 subcontracting shops doing work for Brewster. Out of every 100 people laid off in the Brewster Corporation, as of today it is the union's estimate that only 15 people have been placed at work. These people who have been placed at work, in the majority of cases have been placed at a reduced rate, which obviously means a cut in their present standard of living. They have been channeled into work which is not compatible with the work they have been taught to do at the Brewster Corporation, and consequently the full capacity that these people might employ in the war effort is not being utilized to aid in expediting war production for the successful conclusion of the war.

Secondly, the entire Brewster situation has created, in the New York area, a mental condition among the war workers of that area, a feeling that work in war plants has become insecure, that there is no future for them in that type of production. Those who remain on the job have a tendency to become slightly demoralized; others, who have farms or who have lived in other areas, are beginning to go back to those areas; and those who live in the vicinity are going into nonessential industries such as barbering, restaurant work, and so on.

That has created a problem in the lowering of the morale in that particular area.

Senator Kilgore pointed out the difficulty of getting work into the Brewster plant because of the inability to transfer work, say from Chance-Vought or Goodyear, into Brewster. Now that is a problem specific to the aircraft industry. It is in the main, yet, today a handicraft industry, where each part is fitted and worked over, and the jigs of one plant are not transferable to the jigs of the other plant, and so on.

Senator KILGORE. In other words, in the program the over-all plane design was followed, but each plant was permitted to put in its own shop practices and its own detailed drawings, and therefore even the cutting of the sheet aluminum for the skin on the plane, and frequently the location of the extrusions and things of that kind were left to the plant engineers themselves—so that the parts are not interchangeable plant from plant?

Mr. SCHILLER. That is right. If you and I each had a tailor-made suit, I couldn't wear yours and you couldn't wear mine, but they would still be suitable suits.

That is the problem of the aircraft industry and that is a serious problem in considering the conversion of the aircraft industry and the termination of contracts in the aircraft industry, that must be given a great deal of thought in the type of work that is to be used to replace the production of the aircraft plants.

I want to go, for a moment, from the Brewster situation to another situation in New York City, which is the Bendix Corporation which has a marine division in New York City, and I am the organizer servicing that plant.

On Monday, without any previous notice, the company told us that this coming Friday there was to be a lay-off of some 125 people. The reason the union was notified, gentlemen, is that it has been union procedure to incorporate in the contracts a notification of lay-offs. We had a 5-day notification period in our contract. We were notified on Monday that on Friday there would be cut-backs in that plant, and that 125 people would be laid off. This is the second lay-off in that particular plant in a 2-month period, which will mean a total of about 300 people that will be laid off at that plant.

The problem that I want to raise in connection with that plant is this: New York is a loose labor area. The Bendix Corporation—and I am not singling out that corporation as a flagrant example, I am using it as a general example—has plants in Norwood, Mass., Teterboro, South Bend, and so on.

They hold somewhere above $80,000,000 of war contracts. As between the various Bendix plants their older plants are undoubtedly much more efficient in the production of war work than the newly created or "war baby" plants. In the scheduling of production by this corporation, undoubtedly they would schedule it where they feel the production could be most efficiently produced and where it probably would be most profitable for them to produce it.

For example, they might schedule work that could very well be done in the Brooklyn plant, in Norwood, Mass., which is a tight labor area, rather than put it into the Bendix marine division in New York.

It seems to me that some provision—where corporations hold tremendous amounts of war contracts, and where there are loose labor

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areas, and cut-backs taking place in particular plants—that some control should be exercised in channeling the war work of these corporations to the plants where the cut-backs are taking place. At least that attempt should be made to relieve the situation of immediate lay-offs, and thus facilitate the over-all total production of war work.

That is the problem in relationship to that particular plant.

Secondly, I think there is another over-all problem that has been somewhat discussed here, and I would like to touch on it again. I think that the cooperation of the armed services—and Mayor La-Guardia was absolutely correct in praising the armed services for taking the blackest side of the picture and preparing for any eventuality so that they would not be caught short—but I think that greater cooperation between the armed services and the civilian sections of our Government engaged in war production should be developed so that you would have the scheduling of civilian production on an installment basis, where war work has run out.

Now I understand that a number of the huge corporations which are fully engaged in war work, and which had other items during peacetime, object to the smaller units, the smaller businesses which have run out of war work, and which are faced with cut-backs, engaging in civilian commodities, in the production of civilian commodities, because they would get the "jump" on them in the post-war competitive market.

It is my thinking on this matter that regardless of the jeopardy that these business concerns momentarily might be put into because they would be placed momentarily in an unfavorable competitive position, that the human element of lay-offs, the morale uplifting by keeping people at work, and the gradual slow transition from war economy to peace economy, must take place along those lines.

With that, gentlemen, I want to conclude my notes on this matter and to thank you for giving me the opportunity of presenting this statement.

Senator MURRAY. I appreciate your statement; it seems to me that it is very convincing and that no one could disagree with you in what you are saying there. Certainly the bill should contain provisions that would safeguard the situations which you have discussed there. It seems to me that that would be very important that that should be controlled by the over-all bill that we are trying to get up here.

Mr. SCHILLER. Thank you, Senator.

Mr. RICHTER. I have read the letter that Under Secretary Patterson submitted for the record, this morning. I don't believe you were here, Senator Murray, when it was submitted. That letter objects to S. 1893 particularly because it provides that information on military cut-backs and contracts shall be provided through this joint labor-industry-agriculture board.

Now we feel that if the board is to mean anything at all, the labor people and the industry people and the agriculture people must have the information with respect to contracts or else it is just window dressing and will not serve the purpose you have in mind.

Senator MURRAY. What reasons does he give?

Mr. RICHTER. Well, the statement that Mr. Patterson made in his letter—I can't quote it exactly—was that it would disclose information of a military character. Of course we don't want any military secrets disclosed.

Senator MURRAY. But it could be given to them in executive session, I should think.

Senator KILGORE. Certainly.

Senator MURRAY. I can't believe that it wouldn't be possible to submit that information to them with perfect assurance that it would not be turned over to the enemy. I think we should be able to work that out. I didn't see the letter but I will be glad to read it later.

Senator KILGORE. We will now take a recess until 10 o'clock tomorrow morning.

(Whereupon, at 3:30 o'clock, p. m., the hearing was recessed until Thursday morning, June 15, 1944, at 10 o'clock.)

THURSDAY, JUNE 15, 1944

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment, in the Military Affairs Committee Room, the Capitol, Senator Harley M. Kilgore presiding.

Present: Senators Kilgore and Murray.

Also present: Mr. Herbert Schimmel, of the Kilgore subcommittee staff, and Mr. B. M. Gross, of the Murray subcommittee staff.

Senator KILGORE. We have with us this morning Mr. Wilbur J. Cohen, Assistant Director, Research and Statistics, Social Security Board, from whom we will be very glad to hear.

Senator MURRAY. Before Mr. Cohen testifies, I would like to call your attention to a letter from Mr. Watson B. Miller, Acting Administrator, Federal Security Agency, written to me, dated May 15, 1944, in which he discusses the provisions of this bill, S. 1893. The letter goes into detail and discussion——

Senator KILGORE. Let's put the letter in the record, Senator Murray.

Senator MURRAY. I will put it in the record. I think it contains many things that you may want to question Mr. Cohen about, and it might be a good idea if I read the letter into the record, so that you may see what it contains.

Senator KILGORE. All right.

Senator MURRAY. This letter is addressed to me [reading]:

MAY 15, 1944.

DEAR MR. CHAIRMAN: This is in reply to your letters of May 6 to Mr. Altmeyer and myself concerning title V of S. 1823 and the proposed amendment of S. 1718, which has now been incorporated in title IV of S. 1893. The present letter is based upon S. 1893. The concern of this agency is primarily with the provisions for vocational education in section 407, and the provisions for interim placement benefits in sections 409 and 410.

Insofar as section 407 relates to the education of veterans it provides less extensive benefits than either S. 1767 or H. R. 3846, both of which are now pending in the House of Representatives. (Since that time both of these bills have passed.) In view of the numbers of young men and women in our armed forces whose education has been interrupted by the war, it would seem to me a mistake to eliminate all provision for free education for this group beyond the 6 months contemplated by section 407 of S. 1893.

Section 401 (d) declares the objective of providing for the "necessary training of ex-servicemen and war workers," and section 407 is prefaced with the statement of a purpose "to give effect to the objectives of this title." I am not altogether clear how far these provisions are intended to restrict the authorization to provide education or training "to any person." Unless they were to operate as drastic restrictions I should be afraid that section 407 would be open to serious abuse, and might furnish opportunity to undercut the ordinary safeguards in unemployment compensation laws.

If it is intended that the Work Administrator should confine the provision of education and training of civilians to those war workers who have need for retaining to fit them for peacetime occupations, I would question the provision less from the standpoint of its objective, which has much to commend it, than from that of administrative feasibility. The difficulty of definition of war workers is evident. A selection from this group on the basis of the necessity in the individual case would seem to pose an impossible task, and it is not easy to see any other basis of selection which would be more satisfactory. Without further opportunity to study the problem I do not wish to suggest that these difficulties are insoluble, but I do feel that they are sufficiently grave to cast doubt on the soundness of the present proposal. In this connection, members of my staff would be very happy to join you or your representatives in any further study of the matter.

If such a provision is to be enacted, I would urge that it be amended to require the utilization of the existing educational agencies of the States. It is certainly desirable that such a program be integrated with our normal educational processes and be carried out in the main through existing institutions and schools.

In considering the unemployment compensation portion of the bill we have, in accordance with your request, examined the provisions of title IV of S. 1893 and title V of S. 1823, and have compared the provisions for the payment of interim placement benefits in these two bills with the provisions for the payment of readjustment allowances to ex-servicemen in S. 1767. The following comments, like those above with respect to education and training, are based on S. 1893.

I am in complete sympathy with the general objectives of sections 409 and 410 of S. 1893. It is clear that there will be need for adequate protection against unemployment both for the civilian population and for veterans during the reconversion of our economy from war to civilian production. Although the State unemployment compensation acts will meet part of the problem of tiding workers and veterans over this period, the protection they afford is inadequate both in coverage and benefits to meet any volume of unemployment which may be reasonably contemplated in the post-war period. The coverage of State laws is too limited, benefit duration is too brief, and the benefits available in the different States vary so widely that there are great inequalities in the treatment afforded to the unemployed in the various States.

However, I have considerable question regarding the general plan outlined in the bill for accomplishing this objective. At the present time there is accumulated in the unemployment trust funds of the 51 jurisdictions over $5,000,000,000. I might add that will be greatly increased in the near future. It would not seem sound fiscal policy for the Federal Government to finance 50 percent of the States' benefits out of general revenue while funds already accumulated for this purpose lie idle. In the absence of more permanent legislation, what is needed is to assure that the States will provide adequate benefits and wider coverage with a Federal guaranty against State insolvency.

Aside from my general reaction to S. 1893, I have some comments on the substantive provisions of the bill which you may find useful.

1. *Coverage.*—I am glad to see that some of the limiting provisions in the original bill, such as the requirement that Federal workers and workers in employment covered by title II of the Social Security Act must have earned at least $600 in such employment in the 12 months preceding their entitlement to benefits, have been abandoned in favor of more liberal eligibility requirements. However, section 410 as now drafted seems to me unduly complicated and lacking in clarity in some respects. Such a provision opens up the possibility of too many conflicting administrative organizations and relationships. It does not seem to me sound to provide that the Federal Government will operate the interim placement benefit program for certain categories of workers, only in the event that the State agency does not agree to pay these benefits to its own covered workers.

While it is sound that plans to handle reconversion unemployment include not only veterans but civilian workers, the bill should take into consideration legislation now pending before other committees of the Congress to some special groups, such as veterans and maritime workers. If S. 1767 is finally enacted, the relationship of S. 1893 to S. 1767, insofar as the provisions for the payment to ex-servicemen of allowances during unemployment are concerned, will need clarification. A provision for the repeal of title V of S. 1767 should be included in S. 1893, or veterans should be excluded from its coverage and benefit provisions.

I understand that the House Maritime and Fisheries Committee is about to report out a bill establishing a Federal unemployment-insurance system for maritime workers. The peculiar employment characteristics of this industry make me believe that the problem of providing benefits for this group might better be handled through separate legislation which deals specifically with the special problems which surround the employment and unemployment of maritime workers. The coverage provisions of the maritime unemployment-insurance bill are written in such a way as to eliminate most of the knotty problems of the relative jurisdictions of the Federal and State Governments in the maritime field. For example, the coverage of the fishing industry, regardless of size of vessel, would be an extremely difficult undertaking under a Federal system.

The words "Federal agency" in section 410 (a) (2) (i) are not defined. Should not this be changed to "Federal Government agency" since "Government agency" is defined in section 501 (a)?

2. *Eligibility for benefits.*—The provisions of alternative methods for securing coverage for the great majority of civilian workers is unduly complicated. The eligibility requirement in section 410 (a) (5) of earnings of not less than $150 in employment covered by title II of the Social Security Act would result in uniform treatment of workers on a national scale. Under section 410 (a) (4), however, the application of the eligibility requirements of the State laws would result in great variations. The minimum-earnings requirements in the States range from $60 in 2 States to $300 in 1 State, with 16 States requiring $200 or more, and 19 requiring less than $150. If the present draft of S. 1893 were enacted and all the States agreed to administer the program, a worker's eligibility might depend solely on the State in which he applied for benefits, even though the Federal Government might be paying most of the costs and the benefits available would be uniform throughout the country. However, should the States not elect to provide the protection specified in this bill, coverage could not be extended to individuals employed by State and local government agencies, nonprofit organizations, or in domestic service who are not covered under the provisions of title II of of the Social Security Act.

The exception to the requirement in section 409 (b) (2) that claimants must be available for suitable work to be entitled to benefits establishes what is in effect a complete sickness-insurance program. It makes no provision for the certification of sickness or disability, however, or for the establishment of any of the procedures necessary to a sound sickness-insurance system. In any event, a well thought out program could not be put into effect by the date contemplated by this bill for the beginning of benefit payments.

3. *Benefits.*—S. 1893 provides for the payment of weekly benefits for total unemployment amounting to 80 percent of regular weekly earnings for all claimants except ex-servicemen, with a maximum of $20 for the claimant without dependents to $35 for the claimant with three or more dependents. Ex-servicemen receive a uniform benefit of $20 to $35, depending on the number of dependents they have. These benefits are high in relation to those provided in S. 1767. The Senate version of this latter bill allows weekly benefits ranging from $15 to $25, and the House version gives a flat benefit of $20 to all eligible claimants. If either of the two versions is enacted consideration will need to be given to the relationship of benefits under the two programs.

While weekly benefits for civilian workers are equivalent to 80 percent of regular weekly earnings, no minimum benefit is provided. With one exception, all the State unemployment compensation acts now include a flat minimum benefit amount which ranges from $2 a week in one State to $10 a week in four States.

A provision paying 80 percent of regular weekly wages to a single individual may not provide sufficient difference between the benefits he receives when unemployed and the wages he receives when fully employed to provide an incentive to prefer work to benefits.

The bill includes no definition of regular weekly earnings. Although the Congress may wish to leave the exact method of determining such earnings to the Administrator, I believe that it would be sound policy to give some legislative guidance as to the intent of this phrase, for example, as to whether full-time earnings or average earnings should be used. Moreover, if such earnings are recomputed every time a worker becomes unemployed and claims benefits, the administrative task will be greatly complicated.

The phrase "partial unemployment" as used in section 409 (a) is not defined. The most common definition in the State laws, included in 37 laws, provides

that an individual is partially unemployed in any week of less than full-time work in which his earnings fall below his weekly benefit amount for total unemployment. In some of the States, the first two or three dollars of earnings are disregarded for this purpose. Under S. 1767, a claimant is partially unemployed in any week of less than full-time employment if his earnings are less than his weekly benefit amount plus $3.

The maximum limitation on the benefit payable for a period of partial unemployment which, together with earnings, may equal eight-fifths of the benefit for total unemployment, seems to me to be rather high, especially when the benefit rate is equal to 80 percent of wages. For the claimant with three or more dependents and a weekly benefit of $35, the total earnings plus benefits would be $56 a week. Although the partial benefit provision should offer an incentive even to the relatively high-paid skilled worker to accept less than full-time employment, it would be far more generous than the benefit provided under the most liberal State laws and under S. 1767.

4. *Duration of benefits.*—Benefits are payable to the individual claimant without limit during the period beginning 1 week after he registers with a public employment office until 24 months after the cessation of hostilities. For the serviceman discharged after the war, the period is extended for 2 years after his discharge. Thus, the benefit period ranges from 2 years for the serviceman who remains in the service after the war to an indefinite number of years, depending on the length of the war and the time of the registration, for all other claimants. In my opinion, the duration of benefits provided in the bill is too long. I would suggest that with respect to any individual, benefits under the act only be payable to him for 52 weeks within a 24-month period following his first registration at an employment office after the effective date of the act. This is the provision in the Senate version of S. 1767.

5. *Disqualifications.*—I note that no disqualification is provided for discharge for misconduct or for unemployment due to stoppage of work due to a labor dispute. Since every State unemployment compensation law normally makes provision for disqualifying a worker under such circumstances, disqualifications for such acts might well be included in the bill. Payment of benefits under such circumstances may do much to bring the bill into disrepute since the benefits are intended to be paid only for involuntary unemployment. In other respects, the disqualification provisions are excellent. The strengthening of the specifications by which the suitability of offered work is tested may be doubly important in the post-war period. However, the following changes in these provisions are suggested:

Section 409 (c), page 27, line 10. Insert the words "without good cause" before the phrase "to apply for suitable work" and "to accept suitable work."

Senator KILGORE. Just a minute, Senator. Wait until I get that section, because I think he is talking about the original draft of 1893, because we redrafted it to incorporate a large part of his letter.

Senator MURRAY. I might add that those are written out in full.

Senator KILGORE. I just wanted to check to see if we had not taken care of it. What is that section?

Senator MURRAY. Section 409 (c), page 27, line 10.

Mr. SCHIMMEL. It must be a different draft.

Senator KILGORE. He was writing about a different draft.

Senator MURRAY. Then I will skip those suggestions.

In conclusion it says:

6. *Effective date.*—The 30-day period allowed after the date of enactment of the bill before the benefits will become payable is too brief to permit the various agencies which will be concerned in the administration of the bill to make adequate preparation for the task assigned to them. At the minimum, a period of 3 months should be allowed and preferably the period should be extended to 6 months.

If there is any further information that you desire please do not hesitate to get in touch with me.

Because of the limited time available for the preparation of this report, no advice has been obtained from the Bureau of the Budget as to the relationship of these comments to the program of the President.

Sincerely yours,

WATSON B. MILLER, *Acting Administrator.*

Senator MURRAY. I thought you might have that before you began questioning Mr. Cohen.

Senator KILGORE. Yes; I want to ask Mr. Cohen what he used. Did you use the committee reprint?

STATEMENT OF WILBUR J. COHEN, ASSISTANT DIRECTOR, RESEARCH AND STATISTICS, SOCIAL SECURITY BOARD

Mr. COHEN. Yes.

Senator KILGORE. Of June 8?

Mr. COHEN. The May 4 draft.

Senator KILGORE. This is revised as of June 8, at the top of it.

Mr. COHEN. No; I do not have a copy of that version.

Senator KILGORE. Here is a copy——

Senator MURRAY. You are familiar with the last draft?

Mr. COHEN. I just saw a copy of it this morning.

Senator KILGORE. This is the one we have under consideration, which incorporates a large number of the suggestions made in that letter.

All right, Mr. Cohen, you just go ahead.

Mr. COHEN. My name is Wilbur J. Cohen, Assistant Director of Research and Statistics, Social Security Board.

I am here at your request, Senator, to answer any questions with regard to the bill, if you have any. I think the letter on the whole is self-explanatory. I will be glad to answer any other questions that you may have.

Senator KILGORE. What we are after today is to find out whether or not you have studied this last revision, and to find how closely we came to the suggestions made in that letter, and what further objections or suggestions the Bureau might have to make.

One thing I would like you to discuss is this question of the 80 percent clause and the Bureau stand on that, taking into consideration the fact that Congress has very generously given industry 100 percent for 2 years and also guaranteed the price to farmers for 2 years. I want you to discuss the 80-percent clause with reference to labor, taking into consideration also that 80 percent only goes for the lower-wage brackets, because nobody can draw more than the ceiling, no matter how much his wage was.

Mr. COHEN. Well, I think there are two problems, Senator, in connection with that provision in the bill. One is that the term "regular weekly earnings," which is in this new committee print on page 32, line 6 of the bill, is not a defined term. That term is the heart of the determination of any unemployment-insurance benefit. "Regular weekly earnings" is not a term that is used under any of the State unemployment-insurance laws. At the present time State unemployment-insurance laws quite usually determine an individual's benefits on the basis of the total amount of earnings received by the individual during the highest quarter during a particular period of time, usually 1 year.

That makes it possible for the benefits to be computed on a mathematical basis without the discretion or interpretation on the Administrator's part. "Regular weekly earnings" raises the question of what week, what period of time that you would have to take in administering this provision, and depending upon how it was interpreted would result in very wide differences in the amount of benefits to be paid to

an individual, depending upon what week and what period of earnings were used.

This is an especially important problem at the present time since most industries are working overtime and you would have a question of whether you would compute it on the basis of the 40-hour week or the 35-hour week or in a period of serious unemployment, averaging an individual's earnings over the period in which he actually worked.

I think it would be absolutely essential, not only from the standpoint of sound administration, but from the standpoint of fairness and equity to the unemployed individuals, so that there would be no discrimination among different industries, different persons, and different classes, that the term should be exactly and precisely defined, so that it would not be subject to the discretion of the Administrator.

Senator KILGORE. Would you suggest, for instance, using in the place of the words "regular weekly earnings" the "average weekly earnings during the highest earning quarter in the 12 months next preceding date of application"?

Mr. COHEN. I don't know that those exact words would be acceptable, but something along that general line of using the high quarter earnings would fit in most closely with the State unemployment-insurance laws and would possibly make it possible for the State laws—the State agencies to administer it most simply.

Senator KILGORE. What are the usual—what is the usual phraseology in the State law?

Mr. COHEN. The usual phraseology in the State laws is the highest quarterly earnings in the base period of an individual, but that is not the only language that is used in the State laws. That is the most typical.

Senator KILGORE. All right. Do you have any suggestion to make, then, that would conform to the most State laws, or could you furnish a suggestion?

Mr. COHEN. I think it would have to be worked out quite carefully. Language of that sort could be worked out. I think it would take substantially more words than you indicate.

Senator KILGORE. It would be that in effect. That would define the earnings to fit most State laws, and would be the average weekly earnings during the highest quarter of the defined period.

Mr. COHEN. Yes; although I think you would probably want some alternative provision for the States which do not use that formula. I don't remember offhand what some of the other State laws say, but if you are intending to try to build upon the existing State unemployment-insurance administrative structure, so that these benefits can be paid quickly and promptly, I think it would be essential, in order to assure that objective, to tie in as closely as you can to the existing framework, so that the unemployed individuals would be able to claim benefits promptly.

Senator KILGORE. I am very anxious to see that type of thing carried out, because I have found in the State from which I come, for instance, the question of unemployment insurance as administered in that State has done much to cause steady employment. In other words, employers have more carefully planned their working schedules so as to give steady employment to their employees throughout the entire 12-month period to obviate the penalties that might be invoked if there

was too much unemployment within the State. Whereas, before, we used to have high peaks of employment and low valleys, we now have it much more leveled out. Employers find it no more trouble to work out their production schedules so as to keep their employees employed for a greater portion of the time. I think that is highly desirable in this post-war period that we get employers in that frame of mind to spread their work so that there will be steady employment rather than sporadic peaks of employment in which there is a lot of overtime and then valleys of employment in which they only work 2 or 3 days in a pay period.

Mr. COHEN. That will be an especially important and difficult problem in the reconversion and post-war period, because the length of employment and unemployment, the amount of the earnings is what determines the individual's weekly earnings, and what period you take will obviously therefore determine the individual's benefits.

Senator KILGORE. And you realize the fact that an employer can have his deductions reduced by showing a spread-out employment record for his men has added a great incentive to the employers to work out a more steady production schedule and more steady employment schedule for their employees. Haven't you found that? I have talked to employers, and I know what they think. They feel they are much better off if they can plan their production to keep a steady group of employees working steadily than if they have at periodic intervals to certify a whole lot of employees, and therefore keep their contributions to the unemployment fund at a high rate rather than the other way around.

Senator MURRAY. I suppose you would consider it very desirable legislation of a permanent character that we should have some changes in the existing law to bring about that kind of a situation that the Senator is discussing.

Mr. COHEN. Well, I would say, generally speaking, that anything that could be done to assure more permanent employment is a very desirable objective, and we should certainly see to it that nothing that is provided in the legislation will detract from that objective.

Senator KILGORE. That was one of my reasons for wanting to administer, because I had found employers in certain States, where they had well-administered unemployment compensation departments, were working with the department to keep unemployment at a minimum in their plants, mines, and factories.

Mr. SCHIMMEL. The main point, Senator, is that this does not modify the merit-rating system.

Senator KILGORE. No; the thing I was getting at was this wording here, "regular weekly earnings." I can see Mr. Cohen's point there that it might be advisable, and probably is, in the legislation to be more definitive in it and have a greater uniformity.

All right, go ahead.

Senator MURRAY. What comment have you to make on the following provision on page 32 where it says:

And provided further, That no benefit for partial unemployment shall be paid in excess of an amount which, when added to the person's earnings during the period of partial unemployment for which paid benefits on account of partial unemployment shall exceed eight-fifths of the benefits he would receive for total unemployment for such period—

beginning at line 12 on page 32?

Mr. COHEN. Well, the provision there, as I read it, provides that the Administrator shall prescribe some system of partial unemployment benefits, and the further proviso establishes the maximum total amount of income which the individual can receive, made up of his benefits plus his earnings from partial employment.

Now, that is a very important problem, especially if, in the reconversion or post-war period or during any period of time, there should be a substantial amount of partial unemployment. As the present provision of the bill reads, the individual who is getting $35 a week could, as the letter of Mr. Miller indicated, have total earnings, plus benefits, which would be $56 a week.

However, a much more difficult problem is involved in the "eight-fifths" provision on page 32, line 17, where an individual, by working part time, could receive 28 percent more income than if he worked full time. In other words, it goes contrary to the objective which you just stated a second ago, Senator, of encouraging full-time employment.

Senator KILGORE. If you remember, however, Mr. Cohen, at the outset of unemployment compensation, one of the problems you had was that a man would not accept partial employment because that cut him off entirely, so that there was not much incentive for partial employment. Therefore the committee allowed additional percentages. He could still get unemployment compensation and have partial earnings that would be in excess of his total unemployment compensation if he was totally unemployed, and encourage him to take partial employment to eke out his earnings.

Mr. COHEN. I think there would be a question there which you would have to decide as to whether the 28-percent differential might not be substantially more than would be desirable in the post-war period.

Senator KILGORE. That would only be in the low-wage brackets though.

Mr. COHEN. No; that would go into all classes of beneficiaries which are eligible here.

Senator KILGORE. No; because you could not get above $35. But say a man, a highly skilled workman, was making a dollar and a half an hour, he would get considerably above $56 if he were on full-time work.

Mr. COHEN. The most he could get would be $56.

Senator KILGORE. So it still holds to the low-income-bracket group there.

Mr. COHEN. Up to $56, that is contract.

Senator KILGORE. That would be the only one that could be a loss to beneficiaries under that.

Mr. COHEN. I think, however, due notice should be taken of that provision and consideration given to it, especially if there is some feeling that there be a shorter or longer period of substantial partial unemployment.

In the same section I think there is another provision which certainly ought to be clarified in the interests both of the unemployed individuals and the administrator, and that is the use of the term "dependent."

Senator KILGORE. What page?

Mr. COHEN. You will find it used in several occasions on the top of page 32 in lines 1, 2, and 3.

Senator KILGORE. Yes; you mean there should be a definition of "dependent"?

Mr. COHEN. Yes. The problem there is that the term "dependent" is subject to very wide variation in meaning, and the question would arise whether you meant totally dependent persons or partially dependent persons. I think it would be especially important to have that word defined so that individuals would not feel aggrieved should the administrator, for administrative or financial purposes define "dependent" in a more strict interpretation than the average person feels is reasonable. So, in the interest of prompt payment of benefits and simplicity of administration, I think that "dependent" should be defined.

Senator KILGORE. Could you furnish a suggestion on the making of that more definitive?

Mr. COHEN. Yes; I could, Senator.

Senator MURRAY. Don't you think it would be much better, if you are going into the subject on such a wide scale, that we should just adopt the Murray-Wagner-Dingell bill and incorporate that as a part of this legislation? Would that be practical?

Mr. COHEN. Well, I was going to say, in answer to the Senator's question, I believe that there is, if my memory serves me correctly, a definition of "dependent" in Senator Murray's bill, and on a number of these points, there are such definitions in the bill. I don't seem to be able to locate it right now—yes, you will find in S. 1161, on page 73, a definition of "dependent" given on lines 21——

Senator KILGORE. How do they define "dependent" there?

I was thinking of this "dependent," of course, as the standard definition which is referred to in the sense of the ex-serviceman standard definition of "dependent," which was laid down by Congress for the Veterans' Bureau.

Mr. COHEN. I would say, if you are going to continue to include servicemen in this legislation, despite the passage of the G. I. bill, it might be wiser to utilize the definition of "dependent" which is in the Senate version of the G. I. bill for unemployment insurance. That would synchronize——

Senator KILGORE. Of course, frankly, I do not agree with Congress on the terms of the G. I. bill with reference to the question of unemployment compensation for veterans. I feel we were unduly harsh with the returning solder on that question in the G. I. bill.

Mr. COHEN. I was speaking only on the point of the definition of "dependent." You could either use that definition or this definition of "dependent" in Senator Murray's bill.

Senator KILGORE. That was the reason I put that in there, because I did feel all the way through the G. I. bill that it was not——

Mr. COHEN. I would say, Senator, whatever definition you see fit to adopt, it would be in the interest of economical administration to have the Congress define specifically what definition it wishes to apply, because I am sure you will appreciate that the subject of dependency is one which all of us have somewhat different ideas about, from time to time, depending upon our financial status, and so forth, and it would be the only way in which the law could be administered efficiently.

Senator KILGORE. You see, I went through the last unemployment period for the soldier in seeking jobs for my men, and trying to get them out of sleeping in parks and things of that kind, and I know the deplorable situation that some of those returning soldiers were in, many of whom held very high-salaried jobs, were sleeping in parks and taking jobs for a dollar an hour, 3 hours a week, keeping books in order to buy sandwiches. That period continued for over 2 years. They found themselves dependent when they came back. I don't want to see that happen again, and I am not going to see it happen again if I can stop it. This bill does not guarantee him a job; we guaranteed him a job at least verbally, when he went to war. We said to him, we will guarantee you a job; then we drafted a bill which did not guarantee him a job at all. It had so many loopholes in it that you could drive a 10-horse team through it from every angle.

Mr. COHEN. My statement was only directed to the problem—I am sure we are in complete agreement on the statement you made, that it is in the interest both of the Nation and the administration of this law, and the individual, to have the payments to those individuals made promptly. That is one of the great advantages of unemployment insurance, it gives a sense of security and immediate income to families at the time when they need it most, and the administration of the law should be such that the benefits can be paid very promptly without undue delay, confusion, or misunderstanding on the part of the claimants.

Mr. SCHIMMEL. Mr. Cohen, as a matter of mathematics, I think the record should show that the soldier who comes back and who has two dependents at home, will he not get less unemployment compensation under the present G. I. bill than his wife had been getting in her monthly allotment check? In other words, he comes home and joins the family, he is quite an expense; and still, because there is no provision for dependents in the G. I. bill—a single man gets the same amount as a man with three dependents—he is going to be getting less than his wife was getting in her monthly allotment check while he was abroad.

I may be wrong about that, but mathematically, I think that works out that way. I think the record ought to show it, if it is so.

Senator KILGORE. Yes.

Mr. COHEN. I believe it is so, but it can easily computed. That certainly would be so for larger families, there is no doubt about that.

Mr. SCHIMMEL. In other words, the wife was getting, with her dependents, more than $20 a week. The Government was recognizing during the war, while he was away, that it requires more than $20 a week to take care of his family. When he gets home he is adding to the family, and probably is the major expense in the household, but his allotment is reduced.

Senator KILGORE. Colonel Sanders calls my attention to the fact that under the G. I. bill, if he had a wife and one child, it would be approximately the same.

Colonel SANDERS. Yes.

Mr. COHEN. It would be approximately the same.

Senator KILGORE. It would be approximately the same with a wife and one child, but if there were more than one child, he would get considerably less.

Mr. COHEN. That anomaly arises in part because the allotment——

Senator KILGORE. Of course, that does not consider the fact that he also was drawing some salary in the service and his rations, clothing, lodging and everything else, and he is adding to the family budget his living expenses and yet the family budget has not increased.

Mr. SCHIMMEL. Isn't it true, Mr. Cohen, that the effect of this provision in 1893 would be to keep the compensation that is paid a single man in the service, and the ex-serviceman on exactly the same level as in the G. I. bill, but would make additional allowance for dependents, plus increase in duration, so that as long as he is unemployed during the defined period he would be able to get these benefits?

Mr. COHEN. Yes.

Mr. SCHIMMEL. That is the major difference, so far as the ex-serviceman is concerned.

Mr. COHEN. That is correct.

Mr. SCHIMMEL. And a civilian comes up to these maximum benefits to the extent that he qualifies by reason of salary, approximately.

Mr. COHEN. Yes; there is only one technical deficiency in that provision, which was mentioned in the letter of Mr. Miller, that, of course, there is no minimum provided in that section of the bill as there is in most States' unemployment insurance laws. It is not limited.

Mr. SCHIMMEL. Fifty percent of it.

Mr. COHEN. No; not necessarily.

Mr. SCHIMMEL. If he is eligible under the States as the bill requires him to be——

Senator KILGORE. We are speaking now of the civilian worker, not of the soldier.

Mr. COHEN. Well, there is a question. First, I think there is an ambiguity in the present draft of the bill on page 36, lines 9 and 10, as to whether every individual who is now eligible under State laws would have to continue to be eligible unde this provision of the bill. I have not figured out in every case whether an individual would, at least, get the minimum benefit now provided in every State law, but I certainly say, in order to avoid any ambiguity that provision of the bill as to eligibility should be clarified, because it was not clear in my mind when I read this draft of the bill.

Mr. SCHIMMEL. I think you have just put your finger on it. I say it is quite clear in the language, because he does have to qualify, either by Federal provision or State provision. The State has a minimum, he would get approximately eight-fifths of said minimum by virtue of the 80-percent clause, as against the usual 50-percent State clause.

Mr. COHEN. I don't think that is true, for the reason that there is language in here that at least I don't understand—let me see if I can find it in this print. Page 36, paragraph 4, beginning on line 8 it says, speaking of individuals who are eligible [reading]:

> Any person who at the time of first application for benefits under this title would, if all other qualifications were waived, be eligible by virtue of his or her earnings——

Senator KILGORE. Be eligible, leaving other qualifications out, eligible by virtue of his or her earnings under the unemployment-compensation law of a State, and so forth.

Mr. COHEN. I would certainly suggest, Senator, if that is what you had in mind, the eligible conditions under State law were to apply, that that be made much more specific, because I don't think it is clear in this present draft. If that is so, I would say that the bill is subject to a very peculiar result. That means that if the States administer these provisions, the different eligible conditions in the different States would apply and if any State refuses to administer these provisions the Federal provision would apply then in that State, and $150 would be the eligibility condition, whereas, in another State it would be a different amount, which would result, I think, in a very complicated situation and perhaps confusing to claimants in the different States, in which States the eligible condition would therefore be $300 and in another State $150.

Mr. SCHIMMEL. Aren't they now, Mr. Cohen?

Mr. COHEN. They are now; yes.

Mr. SCHIMMEL. It would not modify that except that you would have the same eligible condition as in the States, as the States now have. You would only modify it if the State did not elect to administer the thing; you would bring in this $150, which is very close to what most of the States have at the present time.

Mr. COHEN. The States vary so widely in regard to that provision it is almost impossible to summarize it, but in view of the fact that you are making a uniform amount of benefits available, it is somewhat anomalous to have uniform benefits available on a basis of different eligible conditions, I think.

Mr. SCHIMMEL. You pay them for the State——

Senator KILGORE. Except that with the provision on page 37—

that such person's benefits shall be subject to the reduction, in accordance with the regulations of the Work Administrator, on account of any unemployment compensation paid him or payable to him by a State agency for the same period of unemployment.

In other words, if you were entitled to it, it would be reduced to that extent. If the State failed to pay him, they would just pay him the difference.

Mr. COHEN. I am not in a position to offer you any solution, I think as Mr. Schimmel says perhaps, that is one price you have to pay, if you are trying to build upon the very divergent and variable provisions of existing State laws. I do think that if you elect to, and if you require the States to pay a uniform amount of benefits, there is a strong argument that can be made too, for a uniform eligibility condition, in order to be consistent.

Senator KILGORE. On the other hand, their surpluses, Mr. Cohen, are built up, their reserves are built up on the basis of their State laws.

Mr. COHEN. That is right.

Senator KILGORE. And the reserves and surpluses are just as widely divergent as the laws are.

Mr. COHEN. Yes.

Senator KILGORE. Your big States sometimes have surpluses, considerably less surpluses and reserves built up than do the smaller States, where the laws have been more liberally drafted. That is one of the biggest problems you have on any idea of merger, the fact that the States which have large surpluses and reserves in comparison to the

number of workers resent naturally the fact that their funds would go to help some State which had been very niggardly in its handling of such matters and has built up small surpluses and small reserves. That is your biggest problem in any idea of consolidation of unemployment compensation at the present time, just like trying to merge a bunch of insurance companies some of which, by reason of careful management, have built up maximum reserves, and others of which have not been operated in so careful a manner and have much less reserves to fall back on.

Of course, in that case, you could always handle it by financial adjustment, but you cannot do that between States, because States are not stockholders.

Mr. COHEN. Well, that is one of the most difficult problems that is inherent in this version of the bill.

Senator KILGORE. It is the biggest problem inherent in any idea of Federal operation of unemployment compensation at the present time.

Mr. COHEN. There is no doubt, as you say, that the State funds are in very different types of financial conditions. Some are in a better situation than others. In fact, some of them are so well off that they could in effect be able to pay any reasonable amount of benefits for any reasonable amount of time with money they have already built up. Other States are not so fortunate.

I think it is fair to say that I think you should take into consideration in your study of this bill, that all States now have sufficient funds built up to pay much more adequate benefits than they are paying now, without the necessity of having any immediate Federal financial help whatsoever.

Senator MURRAY. Under this act, would the States utilize the huge funds that they have to the fullest extent? Would this allow them to escape and saddle the burden on the Federal Government?

Senator KILGORE. Oh, no.

Senator MURRAY. I am asking Mr. Cohen.

Senator KILGORE. This makes a direct charge against State funds. But the amount the State funds are required to pay direct to the payee, the Federal Government would pay the cost. The amount the State fund would be required to pay is deducted from any payment.

Mr. SCHIMMEL. That is 50 percent, but it probably should be 100 percent. The deduction is only 50 percent, and it probably should be 100 percent.

Mr. COHEN. I think, Mr. Schimmel, you have put your hand on a provision in the bill which certainly should be given further consideration. As I read the bill at the present time it states that the benefits in the bill shall be paid and the Federal Government shall pay the total cost less one-half of what the State law provided at the time that this act was enacted, which in effect means that the Federal Government would be bearing roughly at least 50 percent of the cost of these benefits and perhaps in a period of long unemployment as much as two-thirds of the total cost.

The result of that would be, as I see it, to transfer a large part of the payment of these benefits to the Federal Government out of the general revenue and not utilize to the fullest extent possible the existing State funds.

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I think that some such idea as Mr. Schimmel has proposed, some modification of it, is essential if the money that has already been built up over the last 8 years is to be utilized. There is already $5,000,000,000 in State funds, and it probably will be $6,000.000,000 before the end of the year. It is possible during the future there might be, according to some students of the problem, as much as eight or nine billion dollars in these State unemployment insurance funds, dependent upon your estimate of when the war will end.

Senator KILGORE. Let us get down to your hypothesis. Had we had a uniform system of State payments and State charges against pay rolls in existence and had we continued under the original plan of social security, instead of modifying that plan recently, we could have largely taken care of this unemployment problem through the surpluses built up, isn't that a fact?

Mr. COHEN. Yes.

Senator KILGORE. And how far—for instance, if you had mass unemployment, say 20,000,000 people—how far do you suppose that $5-000 000,000 would go in that mass unemployment problem?

Mr. COHEN. Well, of course, as you know, one of the difficulties is when you say there may be 20,000,000, not every person who is covered under existing unemployment insurance laws would be eligible. Those funds cannot be used to pay a large part of the people who would be unemployed because there are 3,000,000 persons in small firms who are not now covered under the existing State unemployment insurance laws; there are somewhere from two to three million people in Federal employment, particularly arsenals and navy yards, which are not covered; there are 150 to 160 thousand persons now in maritime employment who are not generally covered under State laws, as well as some other groups.

Senator KILGORE. And unfortuntely the maritime group may suffer a heavy unemployment soon, is not that a fact?

Mr. COHEN. That would depend, Senator, upon the policy.

Senator KILGORE. What the international situation develops into upon termination of hostilities?

Mr. COHEN. Yes; it depends on the action that this Government and other governments would take regarding the maintenance of a merchant marine after the end of the war. It is entirely possible, if you are to speculate, to say that we are going to continue to have a large merchant marine, and no one will be unemployed. Then, it is possible to speculate the other way and say there would be substantial unemployment.

One of the advantages of covering such a group under unemployment insurance would be that if anything of that kind did happen, they would have the protection of unemployment insurance.

Mr. SCHIMMEL. In connection with the 20,000,000 hypothesis, isn't your fundamental problem, for instance, under S. 1893, the possibility that these 20,000,000 would be able to continue to draw benefits for the full length of their unemployment, and under existing State laws these individuals would exhaust their benefits, and then there would be many of the 20,000,000 without any benefit whatsoever, so that there is that very substantial difference.

The effect of S. 1893, taking into account the modifications we have talked about, would be to have the Federal Government pay

both to the extent of the duration, which is not presently provided under State laws.

Mr. COHEN. There is absolutely no doubt that the State unemployment insurance laws are very inadequate at the present time in regard to duration benefits. Even in as good a year as 1940–41, I believe, as you know, approximately one-half of the unemployed individuals exhausted their unemployment insurance benefits before they became reemployed.

Now, that was a fairly good period of time during the conversion period and certainly under existing provisions of State laws, large numbers of individuals would be disqualified from the receipt of benefits, and there is absolutely no doubt but that that protection should be extended.

Mr. SCHIMMEL. And then they would have no relief essential of trying to qualify for relief if the other funds were exhausted, whereas, under the provisions of the legislation we are discussing, there would be no need for relief setting up the unemployed under a minimum subsistence level all the way through.

Mr. COHEN. I think there is this basic question on that point, that you should give consideration to. In the past unemployment insurance has been traditionally thought of as dealing with individuals who are for a short time unemployed. If there is going to be long-time unemployment, then it seems to me that the Congress should give consideration to alternative measures, rather than unemployment insurance. I think unemployment insurance is a very satisfactory and helpful device when individuals are unemployed a short time. But if you keep giving him over the years cash benefits, I think there is no doubt that it is not helpful either to his morale——

Senator KILGORE. That is right.

Mr. COHEN. Or his family circumstances, or maintenance of his skill. And therefore, I think, rather than merely provide unemployment compensation for a long period of time—it is not the most desirable solution, either from the national viewpoint or the individual viewpoint.

Mr. SCHIMMEL. Except this provides for an emergency period. It makes no permanent provision under Federal law.

Mr. COHEN. I would say I would certainly hope that Congress would give some consideration to providing some alternative method of employment or reemployment prior to the time that any individual had completed 26 or 52 weeks of unemployment.

Senator KILGORE. I am going to go over into Senator Murray's pasture lot on another bill and ask you a question—we have a terrific weakness in our unemployment old-age pension system in that the coverage has never been general enough. In fact, there are large groups of employees who have not been covered.

Now, the railroad retirement was one place that did step in on a national basis to cover a situation that could not be covered by the States and took a whole group, and there are other large groups which are not adequately met.

On the other hand, you have this problem of interchange also. For instance, a worker from, shall we say West Virginia, goes to work in a war plant in the State of Mississippi and after the war is over there is nothing for him to do down there. His family is in

West Virginia, and he comes back up there. He has been under the Mississippi unemployment compensation and has been collecting benefits, and he comes back to West Virginia to live, and he has higher costs and the length of benefits laid down in the West Virginia statute are longer than those laid down in Mississippi. It puts him in rather a tough spot. He must either draw from Mississippi or go on relief in West Virginia. That is one of the problems.

Mr. COHEN. That is one of the problems.

Senator KILGORE. There I am stepping over a little bit into the Murray-Wagner-Dingell bill and asking a question to illustrate the Government weakness that I think we face in the question of security.

Mr. COHEN. I would say this, Senator, that questions of interchanges between States can only be solved if you do go to something of a uniform national system. Neither 1893 nor any of the other bills that I have seen which are short of a uniform national system would adequately solve that problem. Even under 1893 there is the possibility of individuals who move from State to State who either lose out and get lost somewhere in the shuffle or are adversely affected. It seems to me the only mechanism to meet that problem is to have a single, uniform national system.

Mr. SCHIMMEL. Wouldn't you estimate you would probably pick up about 80 percent of the cases lost in the shuffle, and you would still have some fall between the chairs?

Mr. COHEN. The difficulty about those people who are lost in the shuffle, we never know about them, so that we cannot make really an estimate. There are probably quite a lot, but they do not show up at the present time because——

Mr. SCHIMMEL. I think there a Federal system would take care completely of the people that are lost in the shuffle. It provides for a uniform benefit, and provides for unlimited duration. You do take care of the two greatest problems of this crossing from one State to another without the loss of social benefit which Senator Kilgore just described.

The other is a man who has been a few weeks in a particular State, then he has moved around to another State and has not earned anything there, and he keeps on moving.

Mr. COHEN. In that connection, I would like to point out as an illustration of the point the Senator pointed out, it is not merely or only true that an individual can move from a northern State to a southern State and be adversely affected thereby, but it is rather anomalous, under the present state of employment situation some northern States pay less benefits than southern States do.

Senator KILGORE. That is right.

Mr. COHEN. The State-by-State system has been frequently described as a system where the benefits are chained to the different wage levels. But that is not correct.

Senator KILGORE. Or to the different costs of living.

Mr. COHEN. Yes.

Senator KILGORE. I realize that.

Mr. COHEN. You will find in some cases the southern States pay higher maximum benefits than the northern States. You will find that some of the southern States pay somewhat higher rates of benefits than certain northern States, and there is no real relation to different wage levels or cost of living.

Senator KILGORE. It usually depends upon the liberal attitude of the legislators when the bill was passed.

Mr. COHEN. That is correct.

Senator KILGORE. And even on the group who are handling the bill within the State.

Mr. COHEN. That is correct.

Mr. SCHIMMEL. That type of problem would be taken care of in S. 1893—some of those certainly would be taken care of, isn't that so, Mr. Cohen—I mean the question of the change of benefits as you move from one State to another.

Mr. COHEN. As you have it in this bill it would be uniform, if the definition of "regular weekly earnings" were uniform throughout the United States.

Mr. SCHIMMEL. Yes.

Mr. COHEN. That being so, the answer to your question would certainly be "yes." I think that illustrates again—you come back again and again to the reason why it is essential that the "regular weekly earnings" definition be uniform throughout the United States in order to assure uniformity of treatment.

Senator MURRAY. Have you also examined S. 1730, Mr. Cohen?

Mr. COHEN. I have seen two committee prints of S. 1730. I thought I had them here. Those bills, of course, go on a quite different approach. As I understand it, they take the approach that the existing State unemployment-insurance laws have sufficient funds to care for the existing situation.

Senator MURRAY. And undertake to bring about the highest utilization of those funds in the program.

Mr. COHEN. Yes; you see, you have a Federal law at the present time establishing a 3-percent Federal unemployment tax which is in a sense the method by which Congress said to the States, "We will see that you have a way of building up a State fund for unemployment insurance."

So the Federal Government really in large part assured the States of the ability to build up these funds, and as I understand the idea of the S. 1730, it is to require the States to pay more liberal benefits and to insure maximum utilization of their State funds.

Senator MURRAY. And S. 1893 does not do that.

Mr. COHEN. S. 1893 would not do that, insofar as it would transfer a substantial part of the cost to the Federal Government.

Senator MURRAY. That is it, the Federal Government would be paying them, notwithstanding the State had the funds available for that purpose.

Mr. COHEN. Under S. 1893 the Federal Government and the States would both be paying part of the cost; under S. 1730 the States would by and large, take care of the entire cost.

Senator MURRAY. Yes; and don't you think that is the most desirable approach?

Mr. COHEN. Well, I think in view of the situation as it exists today, it certainly is desirable to see the maximum use made of the State unemployment-insurance fund, this fund having been built up for 8 years for this specific purpose, and I think it would be unwise not to make every possible use of them under present circumstances.

Senator KILGORE. Well, the question is, leaving all other methods out, which would be the most desirable. That, I think, was Senator Murray's question. I agree with you that we must make the maximum utilization of that. The question is the best method of doing that. As you pointed out before, there are certain segments of our worker population who are not covered by any State.

Mr. COHEN. Those, I think, Senator, can and should be covered by a change in the existing Federal law. There is no reason why, for instance, with respect to coverage of small firms, employers who employ less than 1 to 7 should not be covered.

Senator MURRAY. S. 1730 undertakes to take care of that situtation, does it not?

Mr. COHEN. S. 1730 amends the Federal law and in effect therefore would bring them under State laws that deal with 3,000,000, approximately 3,000,000 employees. It seems to me that is one specific amendment, that suggestion, that certainly could be incorporated under the present structure. There is no reason why as a permament proposition the State law should not cover that. I believe there are 26 States which already do cover small firms of less than 8. So that there is no reason why that could not be made a provision of the existing State law, for either as a permanent proposition or certainly a provision to be included under the State law.

Senator MURRAY. And that was contemplated in S. 1161, the Murray-Wagner-Dingell bill.

Mr. COHEN. Yes, sir; that group is included, as well as some of the other groups.

Senator MURRAY. Yes.

Mr. COHEN. With respect, of course, to maritime unemployment, there has been for some time a bill before the House Chairman of the Marine and Fisheries Committee to include those individuals under a Federal system of unemployment insurance similar to the program that exists now for the railroad workers. They could be brought under such a uniform system, and there is no reason why that could not be done also as a permanent proposition.

Senator MURRAY. Wouldn't it be more desirable to have that separate legislation carried through as is now contemplated?

Mr. COHEN. I think so, Senator; for this reason, that the maritime problem is such a special and complicated problem which is, in many respects, different from the normal civilian employment. When a man goes on board a ship he is not working within any State at the time; he may have left a particular State where he signed his contract of employment and as you know, he may dock at several different States, and may go from one State to another and may return and get his benefits in another State; his family may still be living in another State. That, I think, is very important with respect to the thousands of maritime workers—to have some simple uniform method of dealing with them under Federal legislation just like the railroad workers.

Senator MURRAY. We know the maritime workers themselves regard that as most desirable.

Mr. COHEN. According to my understanding that has been their view.

Senator MURRAY. They would more quickly be able to very adequately take care of their problem by separate legislation, than to have this incorporated into a general measure of this kind.

Mr. COHEN. Well, there are quite a number of problems with respect to maritime workers which need special legislation because there are quite a number of problems that are different for those groups than for normal groups. For instance, you do not have the problem of voluntarily quitting work in the maritime industry as you do have in the normal situation.

Senator KILGORE. The contract terminates when you dock.

Mr. COHEN. The contract terminates when you dock, and you have the opportunity to sign on again. If you do not sign on no one has ever interpreted that as voluntarily refusing to work. That is a tradition in the industry to afford a man the opportunity to re-sign. If he does not, that is perfectly all right. I think a careful study of the maritime problem will show that there are a number of special characteristics of the industry and employment circumstances which would argue for somewhat special consideration.

Mr. SCHIMMEL. Mr. Cohen, as I understand it, there are two House committees—at least one House committee, and I understand another House committee, the Merchant Marine and Fisheries Committee, under Chairman Bland, has been studying this unemployment compensation in the House. Then, I think, the House Ways and Means Committee, as I understand it, has made this thing its jurisdiction. Now, there is nothing in this bill to prevent the enactment as early as possible by these two standing committees of permanent legislation. This bill only provides for the immediate covering-in of groups which are not already provided for. Presumably, if permanent legislation were set up, it would take care of this problem.

Senator MURRAY. If this law were enacted, would not that have the tendency to make the Congress feel that the problem had been taken care of and it would not be necessary for the other legislation which is contemplated by the maritime workers?

Mr. SCHIMMEL. Senator Murray, they have been studying that for 6 years in that committee. They are getting ready now to put it through, but they have been studying it for 6 years.

Senator MURRAY. Yes; I know; but if we had a law here now incorporating that into the act here, wouldn't that slow down their effort to get the independent legislation through? What do you think of that, Mr. Cohen?

Mr. COHEN. Well, it would be hard to say.

Senator MURRAY. Well, the maritime workers have not come here and requested us to take their problem in on this bill. I have never heard from them. They have never consulted me, or ever made that request of me to take care of their situation. I assume they are very ably and competently represented, and if they felt that we should take care of them, why, they would come and say so, it seems to me.

Mr. COHEN. I certainly think if you are going to include the maritime employees under this provision of the bill, I think that you would have to put in a number of other provisions to take care of these special characteristics that I have mentioned. I do not think that, with the general language that there now is in the bill, an administrator could administer this without very great difficulties.

Senator MURRAY. That would require some time to work out a bill that would cover all those features that are not recognized in this.

Mr. COHEN. Well, it would depend on how far you wanted to go. I think you could take the provisions of the existing bill if you wanted to.

Senator MURRAY. What do you mean by the existing bill?

Mr. COHEN. This first bill which Mr. Schimmel indicated was pending over in the House.

Mr. SCHIMMEL. It is prety well drafted, Senator.

Senator MURRAY. Well, yes, if they wanted to take the whole bill and put it in here, that, of course, would be one way of meeting this problem.

Well, have you any other criticisms of the approach that we have taken in 1730? Is that feasible and a practical way of meeting this problem?

Mr. COHEN. Well, I think that the provisions in S. 1730 are feasible and practical. It depends on how far you want to go. I certainly think——

Senator MURRAY. If you want to go as far as you can go.

Of course, we all recognize there will be serious opposition to any legislation that the States' administrators will be interested in; won't there?

Mr. COHEN. As I read the testimony before the Senate Committee on Post-war Planning they took the general position that they could take care of the situation and that their State legislatures ought to make whatever changes they thought proper. So, I think their attitude, as I understand it, is in complete opposition to both 1893 and 1730.

Senator KILGORE. In fact, their opposition is based upon an idea that this may be an opening wedge for the Federal Government to take over the State unemployment-compensation operation and administration.

Mr. SCHIMMEL. Either bill.

Senator KILGORE. Either bill.

Mr. COHEN. I think in that respect they do not distinguish between these emergency proposals to utilize the State systems and make it more adequate, and other proposals for a uniform Federal system. I think there is a very great difference between those two types of proposals.

Senator KILGORE. Off the record.

(Discussion was had outside the record.)

Senator MURRAY. In S. 1730, we undertake to require the State to pay these benefits, and under S. 1893 it does not.

Mr. COHEN. That is correct.

Senator MURRAY. So that in S. 1730 we would not be saddling this great obligation upon the Federal Government and Federal Administration, but it would require the States to carry the load out of the funds that they have been accumulating and which are there available for this purpose.

Mr. COHEN. That is correct, Senator.

Senator KILGORE. Do you mean by that the enhanced load?

Now, here is the question, Mr. Cohen, Are their funds, as built up now, capable of carrying the increased load?

I don't mean increased in number but also increased in size, based upon the present average cost of living. In other words, are their reserves and surpluses sufficient that they can take over the burden?

I have talked to some of them just recently who said that, or claimed, there was a lack of understanding upon a lot of their problems. They felt that their fund should be cut down because they were not paying out so many claims. As a matter of fact they were working the same personnel now checking pay rolls and collecting in for future payments of claims. It took just as much administrative work as it took to pay out claims, and I am just asking from your statistics available, can they shoulder the burden without Federal—pretty heavy Federal aid?

Now, I think we must look forward to this, that we cannot be shortsighted in planning, we must, as we did in the war, as was so well testified yesterday by Mayor LaGuardia, we must take the blackest side of the picture and protect against that in the hope that nothing like that will occur. In other words, we must do long-range planning and not short-range planning on the thing, not with the defeatist attitude that we are going to have a lot of unemployment, but in the fond hope and anticipation that we won't have a lot of unemployment, but that we will be ready to take care of the situation when it does arrive. That is the viewpoint, I take of it, without having a bunch of hurried legislation rushed through which will be nothing but a dole, pushing out doles and things of that kind to take care of some emergency that may arise.

Mr. COHEN. If that were your objective and starting point, don't you think it would be somewhat better to provide that the States will pay whatever benefits you require, and, say, if any State could not meet out of its own funds the cost of those benefits, the Federal Government will guarantee the solvency of the State fund?

Senator MURRAY. That is practically what S. 1730 is doing.

Mr. COHEN. That is practically what S. 1730 is doing. That will cost the Federal Government less money and make the maximum utilization of State funds and still give the guaranty to the States to meet, as the Senator expressed it, the blackest possible situation that might arise.

Senator MURRAY. And then, of course, as we have a real crisis, we cannot do it entirely under this program we are talking about here, you have got to have something supplemental to that if we have a situation where there are 20,000,000 people unemployed, you are not going to be able to handle that situation without other methods of meeting the situation.

Mr. COHEN. That is correct.

Senator MURRAY. But for all practical purposes, it seems to me that S. 1730 provisions put the load where it belongs, on the State fund and not on the Federal Government. It is the most practical and feasible way of handling the situation.

Senator KILGORE. Just a second, I want to get this point—assume this stopped there——

Senator MURRAY. Everybody is coming to the Federal Government to get everything. I think there is a strong opposition to that in this country. I don't think any plan will go through Congress if the United States is going to saddle this burden on the Treasury of the United States. It has got to be put where it belongs. The money has been accumulated for that purpose, to handle this situation, and the bill

should require them to carry the burden and supplement it to the extent necessary, if we put additional burdens on them. For instance, if we pass this law and require firms employing less than eight people that may necessitate some assistance to them if they fail to carry the load.

I have talked with some State administrators, and they tell me they were capable of talking care of this situation themselves under the funds that they had, but if we required higher payments or brought additional workers in that then we will have to supplement them. I think that is only fair and only reasonable.

Senator KILGORE. Mr. Cohen, I want to ask you one question on that point, of the danger of guaranteeing the solvency—it just appears to me to be a danger—I want to ask your opinion if we require the States to pay out to the ultimate amount that they have without any absolute guaranty to them when they have spent every cent they have, we are going to make good and pay from then on, no matten what it costs. are we not then putting a premium on the States failing to cooperate with the Federal Government and municipalities and industries of the State, in the elimination of unemployment because there is no incentive, whereas a State which has paid out its normal unemployment benefits from a fund that is carefully built up, and those payments being augmented as they go along by contributions to make up the first amount, has an incentive, don't you think, to get rid of unemployment and save its own surplus, whereas if it feels that it might just as well go ahead and keep on paying until they pay it out entirely there is no incentive to help build up the unemployment side of the fund.

Mr. COHEN. I think you have a good point there, Senator. I would say you should not wait until the State fund has been absolutely exhausted before the Federal guarantee account or the reinsurance account comes into play.

Senator KILGORE. Why should we sweat ourselves to find jobs for these people and help them get employment and get things back to where we want to get; we are going to have to pay this out and the Federal Government is going to guarantee the deficiencies. We start back to the deadline again just the same as the States who do not.

Mr. COHEN. S. 1730, as I remember it now, has a provision that the Federal Government will come in and make payment before the States becomes insolvent; it would begin to pay the States whenever their fund was less than their collections in the preceding calendar year, thereby making it possible for a State to swing through practically on its own motion with a minimum of Federal assistance.

Senator MURRAY. And that approach would not meet with serious objection from the States, I should not think. That is to say, it would seem to me that they would be willing to accept that kind of a proposal.

Mr. COHEN. I could not say, Senator. As I recollect their testimony before the George committee——

Senator MURRAY. I know, there were only a very few witnesses who testified there. I talked to the State Administrator of the State of Indiana who gave me to understand that he was entirely in accord with the approach that we have followed in S. 1730, and that under that, with the supplemental aid that the Federal Government would give them, that they would be glad to undertake to carry out the program, talking about the way this thing would work on State funds now totaling nearly $6,000,000,000, don't they?

Mr. COHEN. Yes; they are between five and six billion dollars at the present time.

Senator MURRAY. That would allow benefits averaging $30 a week for an average of 20 weeks for 10,000,000 people. That will be a pretty good load to carry, it would seem to me, and then the Federal Government coming along under S. 1730 to supplement that with Federal aid, we would be able to carry a pretty good heavy burden of unemployment, and then when it was a real crisis, that we run up against, we would have to have, of course, other ways and means of meeting the problem.

Senator KILGORE. That would apply if that were equitably distributed among the States, but it is not equitably spread over now.

Mr. COHEN. No.

Senator KILGORE. It is rather spotty.

Mr. COHEN. It is very spotty. The relative amount in different State funds is very spotty, as you say. However, if you had such a guaranteed amount coming in, it in effect guarantees whatever benefits you do require the State to meet.

Senator KILGORE. For instance, I ran into two States recently in checking the latest balances I could get, two States, one of which was six times as large as the other, that had less than twice as much reserve built up as the smaller States had. I don't know wether the smaller State had an adequate reserve or not, but to show the spottiness, it was at least six times leaner in the larger State when it had less than twice as much reserve.

Mr. COHEN. That is due, in part, to the fact that the States, even at the present time, do not collect the full contribution of 2.7 percent. The State of Michigan, which many people have been concerned about, is only collecting a contribution on an average of 1.7 percent of the pay roll, whereas the Federal law provides 2.7 percent. Therefore, they are collecting on the average of 1 percent less, and that I think, is something like $58,000,000 a year less than they would collect at the full 2.7 percent rate.

Many people are concerned that the fund in Michigan will not be sufficient. So that our Federal concern about the situation is due in part to the failure on the part of the States to collect sufficient contributions during the present period to pay adequate benefits.

Senator MURRAY. Another illustration of the need of a Federal program.

Mr. COHEN. Under the Federal program you would presumably collect a sum sufficient to pay out whatever you need in all of the States of the Union, and under present circumstances the total amount of the reserve should be less, with greater assurance you could pay more adequate benefits for a longer period of time.

Mr. SCHIMMEL. Mr. Cohen, I think this fact might be very relevant in the attitude of the State administrators. Don't you think their attitude is more dependent on the scale of benefits you are going to introduce. That is, both size and duration. If you set up there that the maximum shall be one—shall be at least $20 and the duration has to be, let us say, at least 20 weeks—in other words, modifying the present criteria as you have used it, don't you think there is going

to be comparatively small resistance to the amendment under the standards which are similar to those in S. 1893, and using the technique of S. 1730 the resistance will be overwhelming, because the effect of imposing higher standards and then keeping their present merit rating system will be to gradually bring them all down to the minimum reserve.

Mr. COHEN. Well, it is my understanding——

Senator MURRAY. Mr. Chairman, I am sorry, I have another engagement, I will have to leave now, and I will be glad to see you after luncheon.

Mr. SCHIMMEL. The attitude of the States, in rejection of the so-called State rights viewpoint, would, it seems to me, if you incorporate simultaneously the higher scale of benefits compared to the present scale which is in S. 1893 and the technique of S. 1730, which gradually reduces their present fund then their opposition would be at the greatest level. In other words, if you want to apply the scale of benefits in S. 1893 during this emergency period you are pretty much driven away from the technique that has been worked out in S. 1893, otherwise you have imposed a complete Federal system.

Mr. COHEN. It is my understanding that one of the reasons why they are opposed to any high levels of benefits, no matter what they are, even though they are an emergency, is the thought that creates a policy on the part of the Federal Government to recognize that these scales should be continued even after the emergency period is over, and then they will have to draw out the State fund and will not be able to meet the costs and there won't be any guaranty account to meet those costs after the emergency.

Mr. SCHIMMEL. Yes; they told me in person, but the point I want to raise is this: if you provide the benefit of S. 1893 through the technique of S. 1730, you are going to lower the—very rapidly lower the reserve of the various States so that they will all be brought down to a uniform level. Right now your Federal law requires a lower benefit based on definitely limited duration. If you increase the benefits and increase the duration through the entire emergency period the reserve might well be wiped out of the States and all the States would start out with a reserve equal to the previous year's collection.

Mr. COHEN. Well, personally, I don't see any disadvantage in that. It is my understanding that the approach to unemployment insurance has always been you would build up funds in good times to expend them in bad times. At the end of the period of unemployment you should come out with little or practically no reserve, because you then start rebuilding it again in the next cyclical period.

Mr. SCHIMMEL. So that actually the difference between S. 1730 and S. 1893 are differences between scales of benefits and differences of administration, as to whether those details will be left to the States or whether the Federal Government will move in to supplement and keep the funds up.

If you have those two major differences, they ought to be clarified.

Mr. COHEN. That is correct.

Mr. SCHIMMEL. I think that the record ought to show those two principal differences.

Senator KILGORE. One thing more I want to ask you, Mr. Cohen, because you are undoubtedly familiar with it, is that all of our State

unemployment compensation benefit payments are based on the prewar cost of commodities, if based on commodities at all—some of them are not based really on anything, but there has been no modernization of those laws during the war to take care of enhanced living costs which in the estimation of the Bureau of Labor Statistics of the Department of Labor varies but they undoubtedly have gone up and in fact, in accordance with my pocketbook at the end of each month I find they have undoubtedly gone up, isn't that a fact?

Mr. COHEN. There are some States which during the past few years have liberalized their laws in some respects. It would not be fair to say that they have not changed their laws at all, but I don't think they have by any means changed them as substantially as is required by the situation.

Senator KILGORE. By the situation. Now, on yesterday it was testified, as we all know, that the drain on foodstuffs out of this country as the invasion progresses will progress tremendously, which, of course, always raises the cost of living. That, coupled with the fact that the Congress has guaranteed to the farmer a 2-year post-war price level on farm commodities would tend to keep the bare essentials of life—I am not talking about buying automobiles and radios and things of that kind, I am talking about the bare essentials of life, which are food, shelter, and clothing, they tend to keep them at substantially the present level, if not higher—that is, at present levels, if the O. P. A. can hold the line, and much higher levels if they do not hold the line, isn't that right? Which means that the State payments, unaugmented, would not be adequate for the unemployment in the post-war period.

Mr. COHEN. I think, outside of the duration of benefits which we have discussed previously, which is most inadequate in State laws, the second cause of inadequacy is the low maximum amount of benefits that the States provide. Most of the State laws, if I recollect, pay maximum benefits of $15, $16, or $17, somewhere in that range; not matter what the man's wages were, he can never get more than that amount of benefits.

Senator KILGORE. And no matter what his dependents are.

Mr. COHEN. No matter what his dependents are, he is limited. The State laws usually allow no more than $15 a week. In view of the existing wage level and the cost of living and these other factors, I certainly think that the State laws could well provide a maximum substantially above $15.

Senator KILGORE. But the trouble has been that the legislators of our several States in fixing the contribution to the fund just adopted the limits fixed by Congress. They adhered to the plan of setting the amount of benefits based on actuarial figures, is that the fact?

Mr. COHEN. Well, I don't think so, Senator. I think that what they have done is to determine what sort of benefits they wanted then lower the contribution rates, roughly speaking, to finance the level of benefits.

Senator KILGORE. That is what I meant when I said actuarial. I meant it has been computed on the amount of benefits they decided they could pay.

Mr. COHEN. Yes.

Senator KILGORE. That is so, and their reserve was built on that, and built on the maximum period laid down.

Mr. COHEN. There is no doubt if ever they wanted to pay more adequate benefits than those at the present time, they would be able to do so if they would approach it from that point of view.

Senator KILGORE. But to carry the full burden is going to be a terrific pull.

Mr. COHEN. That is what we don't know. Of course, I think some guarantee fund should be worked out to guarantee that they can carry that load with some Federal help, if that is necessary.

Mr. SCHIMMEL. Mr. Cohen, on that 80-percent figure, don't you have a load at which the entire post-war scales are inadequate, because when you take the lower income groups, take a man who is making $30 a week, if you continue that 50-percent figure, even under the present living conditions, he is already close to subsistence level, and if you continue that 50-percent ratio between what he earns and what he is paid in benefits, he is only going to get $15. That makes it utterly impossible for him to get along. Now, if you are going to increase the benefits so that people can manage to get along it seems to me you have got to both increase the maximum and also a categorical increase in the percentage they are going to get.

I think Senator George pointed out yesterday it was reported that he agreed to that type of provision since it does not fundamentally alter the wage scale and does provide that the lower paid wage earners will not starve.

Mr. COHEN. There is no doubt that some of the States, as you say, pay a percentage of the man's previous wages which are not very substantial.

Mr. SCHIMMEL. Principally low wage scales.

Mr. COHEN. Principally low wage scales. There are even some States which have low percentages all the way along the line. There are several States, which, by gearing the amount of benefits to an individual's annual earnings rather than to his normal full-time earnings or total weekly earnings at the present time, result in quite low benefits relative to his average weekly earnings.

Mr. SCHIMMEL. I mean, commensurate with the low wage scale.

Mr. COHEN. That is right.

Mr. SCHIMMEL. There is one other point I think the record ought to show, that there is no universal agreement that unemployment benefits should be financed out of wage taxes. In other words, if I interpret Mr. Willkie's article No. 3 of his current series, I don't think he is the sole spokesman of such viewpoint; I believe the social-security circulation viewpoint has been advanced many times, that it is entirely equitable to have that portion of the unemployment benefits financed from the General Treasury, with the understanding that the funds in the General Treasury are obtained by imposing an equitable system of taxation. Is that a fair statement, Mr. Cohen?

Mr. COHEN. Yes; there is some view to that effect.

Mr. SCHIMMEL. Isn't it true that the present proposal does mean some sort of a revision of the social-security system, whether it is to have the States pay their benefits or whether it is to have the Murray-Wagner-Dingell bill put through, there will have to be some revision as indicated by having higher benefits paid for this emergency period and it does not solve the permanent system, though it must be considered as emergency legislation only.

Mr. COHEN. Well, there are some things which I think certainly should be considered as permanent legislation, such as broadening the coverage to one or more, taking care of the seamen and perhaps even some other provisions could be permanently included in the existing law. They are sound for the present and I think sound for the future, so I don't think it should be solely a matter of emergency legislation.

Senator KILGORE. Mr. Cohen, don't you think one of the problems that faces us is the fact of the real need to enlighten the people of the United States on the fundamental underlying principles of unemployment compensation that it is not a payment out of the taxpayers' money to the recipients, but if it is properly and consistently carried out, that it is merely a method of setting up money for bad seasons in times of good employment and the creation of a compulsory insurance fund against unemployment which really is actually charged by the employer into cost of operation.

Mr. COHEN. That is right.

Senator KILGORE. As part of the wages, and although it happens to be tax free, it is not taxed as wages, isn't that the fact, that there is no understanding of that? Maybe it does not matter so much the amount of unemployment compensation is paid to a man provided it is enough to live on, if he, from his earnings and his working period has been able to build that up, it has not hurt the taxpayers 1 cent, is that not right?

Mr. COHEN. If he is not helped by providing these payments, it hurts society.

Senator KILGORE. I cannot understand the need for any question about the scale of benefits. I think the scale of benefits should be based completely on constant studies of living costs, and savings should be built up as the old time Egyptians were under wise guidance, in the plentiful years to take care of the lean periods without affecting the taxpayers at all. There is one reason I cannot understand the opposition to the question of the actual amount, so long as the amounts do not become such where they discourage gainful occupation and as long as they are limited in time so that there is no idea that the whole work structure of our country will try to get on some kind of a nonwork relief system.

Mr. COHEN. That is right.

Senator KILGORE. That is what I cannot understand and that is a question that I want to ask you on, the technique of handling this. It has been my impression during my trying to work it out that the best way to handle this situation is to have the States pay, based upon their funds, the full amount that they can pay and augment that up to taking care of the living cost differentials from Federal sources for an emergency period. I think that will take the maximum advantage of the savings that they have built, and at the same time encourage the State governments and the employers within the States to reconvert and to get back into gainful occupation as quickly as possible and the workers to get back to work and will furnish an incentive—I don't know whether—I have thought of one system that might be worked out, as we used to work the old circulating fund, let the State pay the full benefit and submit the bill for the differential which might be paid by the Federal Government, let them be reimbursed on a gradual

basis for the payments made and let them determine under the laws of the State how much money the man is entitled to and let them be augmented and let them handle the reimbursement. It seems to me that that would be better than to just turn the money over to them in advance, give them an advance, because I think their surpluses are adequate to take care of several months' payments under existing State laws, and the Federal Government could start the reimbursement program.

Mr. COHEN. I think they are adequate, certainly under anything that I can see right now, for quite a period.

Senator KILGORE. It would encourage the well administered estate to continue good administration and at the same time would administer a slight spanking in States where there has not been such good administration, is that right?

Mr. COHEN. Yes.

Senator KILGORE. That is the general idea; probably it is not as well expressed in the bill as it should be, that is kept in this bill 1893, with the idea of handling it that way.

Mr. COHEN. I think if you are going to have a system that is going to continue to operate in the emergency, you must build upon a State system.

Senator KILGORE. You must build upon the State system.

Mr. COHEN. You cannot go into operation quickly enough during an emergency period. We don't know when the emergency period may arise. If we had the date—if we said, beginning January 1 1947, the emergency is going to start, we might be able to prepare for it, but we don't know whether the emergency is going to begin tomorrow or whether it is already here.

Senator KILGORE. Yes.

Mr. COHEN. Therefore we ought to build upon existing State administrative machinery and the financial funds at this time.

Senator KILGORE. I have talked with a number of State administrators on this bill that I have suggested to you, and they seem to think, so far as they were concerned, it would entail no difficulties in administration, it would not disturb the administration of those States at all except just a little additional clerical work in certifying the pay rolls to the national headquarters and would entail work, of course, in the national headquarters in checking the pay rolls, and writing the bulk check, which is one check for the month's differential or week's differential, whatever it was. They seem to think it would be simple. So far as they were concerned they didn't see that it would complicate matters from the national viewpoint.

Mr. COHEN. No; I think as long as the provisions in the Federal law are clear, simple, and equitable, so that every State administrator will be administering the same thing.

Senator KILGORE. That would be a matter of administration. Don't you think that would simplify the handling?

Mr. COHEN. Yes.

Senator KILGORE. Well, do you have anything more?

Mr. SCHIMMEL. I think it would be very valuable to work it into the problem.

Senator KILGORE. I wish we could have a little conference with you on some of those questions to clarify the language.

Mr. COHEN. I would be very glad to help.

Senator KILGORE. Because I think—as I have explained to you in the past, I think that is the simplest way in the world to do it.

Mr. COHEN. I would be very glad to be helpful in any way that I can.

Senator KILGORE. I think our job is to take care of the differential which the States have not provided for and let them take care of everything they have provided for.

Mr. COHEN. Yes, sir.

Senator KILGORE. Because it is like an insurance policy—you establish your rates on the longevity of a man's life and everything, but if you had a mass suicide wave, the insurance companies would go broke pretty soon.

Mr. COHEN. Yes; that is an entirely different situation.

Senator KILGORE. Yes. Well, if there is nothing further I would like the opportunity of talking to you a little bit later.

Mr. COHEN. All right; I will be glad to at any time.

Senator KILGORE. That is all.

(Whereupon, at 12:10 p. m. the hearing adjourned.)

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

FRIDAY, JUNE 16, 1944

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment, in the Military Affairs Committee room, the Capitol, Senator Edwin C. Johnson presiding.

Present: Senators Johnson, Hill, Truman, Kilgore, Murray, Austin, and Thomas (Idaho).

Senator JOHNSON. All right; the committee will come to order.

The special work of the committee today is to hear a report, to be presented by Senator Austin, from the George committee, the Special Committee on Post-war Economic Policy and Planning, on the subject of unemployment compensation in connection with S. 1730 and S. 1893.

Senator Austin.

STATEMENT OF SENATOR WARREN R. AUSTIN, SPECIAL COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING—UNEMPLOYMENT COMPENSATION

Senator AUSTIN. The George committee, after hearings and a day of discussion, took a formal vote on various questions relating to unemployment compensation in the post-war period. I don't think it is limited to post war, strictly, but involves the period of reconversion from the war effort, industry and the armed services.

It may take a longer period than we contemplate now, but it is supposed to be effective if written into the law, even before the cessation of hostilities, as I understand. And they asked me, from the George committee, to make a report to the Military Affairs Committee this morning, because there has been so much pressure relating to time brought on our committee, and we want to discharge our duty to the Military Affairs Committee as promptly as possible.

We had already filed Monday the report No. 539, part 4, in the Senate. This is a Special Committee on Post-war Economic Policy and Planning pursuant to Senate Resolution 102. And this reports on the problem of post-war unemployment and the role of Congress in solving it.

This report I am asked to make by the committee today is specially addressed to unemployment and the compensation for the unemployed. I will read it. It is very brief.

(Senator Austin reads his report as follows:)

JUNE 15, 1944.

I am listing below the conclusions of the committee with reference to unemployment compensation (and "I" means Mr. Russell, who is the general counsel or special counsel for that committee.)

1. The committee decided against the setting of any Federal standards.

2. It decided that Government workers, including War Shipping Administration, should be covered under the laws of the States where their wage credits would have accumulated had they preivously been under the law; that their benefits be calculated under the State law, based on the amount they earned while employed by the Federal Government; that the payments to them be made by the States and that the Federal Government reimburse the States for any such payments.

3. The committee was convinced of the solvency of the State funds. But to make this solvency absolutely certain, it recommended the setting up of a Federal loan fund from which loans could be made to any State that felt the solvency of its fund was threatened. It committed itself to consider supplementary measures to guarantee the solvency of the State funds, if the loan provision proved to be inadequate.

4. The committee felt that the Unemployment Compensation Tax Act should be amended to cover employers of less than eight, and cover maritime workers employed by private shipping companies, but recognized that legislation to this effect would have to originate in the House.

5. The committee decided to recommend to the States that they carefully survey their own situation with a view to increasing maximum benefit payments and extending the duration of payments to the greatest extent they deemed compatible with the situation in their States.

Senator AUSTIN. That is the end of the report. That is all the copy I have of it.

Senator JOHNSON. Are there any questions with respect to this report?

Senator Murray?

Senator MURRAY. No.

Senator JOHNSON. Senator Thomas?

Senator THOMAS. No; I don't think so.

Senator JOHNSON. You haven't had very much opportunity to study it.

Senator MURRAY. No.

Senator JOHNSON. It is brief and concentrated and high powered.

Senator Austin, just what do you mean when you say the committee decided against the setting of any Federal standards?

Senator AUSTIN. I mean this: We have before us, and the witnesses had before them, S. 1730, by Mr. George, for himself and Mr. Murray, and the Kilgore bill, S. 1893. And it is apparent that in both of them there are Federal standards. The witnesses in our record almost unanimously are opposed to Federal standards. A great many representatives of States appeared and built up a very strong case against Federal standards or Federal subsidy because they fear the effect upon governments of the several States by the reaching in, by the Federal Government, through these subsidies and through these standards.

Senator MURPHY. They fear this is a move to federalize the Unemployment Compensation Act. It will be necessary to have Federal standards in order to bring it up and to make it possible for us to meet this situation as it is going to develop in the reconversion period. It seems to me that we have simply got to have some Federal standard, and the Federal Government has got to give some assistance in this program of unemployment compensation.

Senator JOHNSON. Later on in the record they provide for certain assistance?

Senator MURRAY. Certain assistance; yes.

Senator AUSTIN. Their theory is different from yours, Senator Murray, on that point. The George committee came to the conclusion after study of this matter, that they had better take another course, that that would be encouragement of the States to raise their standards.

Senator MURRAY. Yes.

Senator AUSTIN. And for the purpose of encouraging them to do that, to provide for guarantee of their funds. So on the issue, when it was presented to the George committee, they agreed that the commitee does no wish to set up Federal standards for the States to follow. I am making the report.

Senator MURRAY. Yes; I understand.

Senator AUSTIN. I realize there are differences of opinion about that matter. But the chairman of this committee asked me a question. I was trying to tell why we took that vote.

Senator JOHNSON. He brought in a report here.

Senator MURRAY. I don't see how the States should have any objection to the standard that we are seeking to set up here, because we are going to assist them in carrying the load that these standards will impose upon them.

My bill, of course, is designed to place the burden on the States that have accumulated this vast fund for the purpose of taking care of the unemployment situation. They already have something like five or six billion dollars. That will increase very rapidly. It will be seven or eight billion dollars very soon. My bill undertook to require them to use that money, but that we supplement it, wherever it is necessary, as result of the burden that we undertake to place upon them through the standard that we set up.

Senator THOMAS. Just what do you mean by Federal standards? What do you mean?

Senator JOHNSON. That is my question.

Senator MURRAY. At the present time, employers that employ from one to eight people are not included. Isn't that right, Senator Kilgore?

Senator KILGORE. Right. Very few States that have smaller.

Senator JOHNSON. The Federal law sets the minimum of eight.

Senator MURRAY. That is right. We are supplementing that by increasing that. And of course, the new Federal security, the new act expanding the Federal security program, the Murray-Wagner-Dingell bill, undertakes to do that.

Senator KILGORE. There is also one thing: The maritime workers are not covered by anything. They are clear out on a limb by themselves.

Senator MURRAY. The Federal workers are not included.

Senator JOHNSON. On that point, Senator Murray, if I can find it in this report——

Senator AUSTIN. I think it is the next to the last one.

Senator JOHNSON. I am not looking for that. I am looking for the statement in here some place that says such legislation must originate in the House.

Senator AUSTIN. That is down there.

Senator MURRAY. That is unemployment compensation.

Senator JOHNSON. Is it because of the tax?

Senator MURRAY. It is a tax measure. It might be construed as a tax measure, but the social-security experts are working on that now and are intending to present to me amendments, modifications of the unemployment-compensation provisions which we are proposing here, so as to get away from that objection.

Senator JOHNSON. This is the way paragraph 4 of the report reads:

4. The committee felt that the Unemployment Compensation Tax Act should be amended to cover employees of less than eight, and cover maritime workers employed by private shipping companies, but recognized that legislation to this effect would have to originate in the House.

Senator KILGORE. If we amend that to carry employers of less than eight people, we will put the States in this position: That they will be paying out of a nonexistent fund because no collections have been made by employers of less than eight in any of the States. It will mean that employers and employees who have contributed to funds now existing in the State, if we put that burden on the States, will be paying the employers of less than eight.

Senator MURRAY. Who have not contributed.

Senator KILGORE. Who have not contributed at all. The same applies to the Maritime Commission, who have not contributed, because no agency could contribute.

Senator JOHNSON. How can you get around that?

Senator MURRAY. This bill would be a violation of the constitutional provision which requires tax measures to originate in the House. But I understand it can be framed in such language as to avoid that objection. I don't know. The social-security experts are working on that now. What do you think of that, Senator Kilgore?

Senator KILGORE. I think it can be framed in such language as to get around it all right, inasmuch as it was a piece of emergency legislation, not a continuing proposition.

Senator AUSTIN. I ought to tell you that point was raised in the George committee, and that is their opinion.

Senator JOHNSON. I can see where the Federal Government might have an interest, and more than an interest in the Maritime workers, but I can't see why you should use this Federal fund for employers and employees under the minimum number of eight.

Senator KILGORE. Senator, we have a whole lot of little gadget plants that employ four and five and six people, who are really subcontractors.

Senator MURRAY. That is right. I have seen some small plants.

Senator KILGORE. I happen to know in South Carolina there is a garage man down there making parts for shipyards. He has a total of six employees in a little garage. He makes a little gadget that goes to the Charleston Shipyard on a contract with the Navy.

Senator JOHNSON. I think it was a mistake originally to set the standard of eight.

Senator MURRAY. To leave them out.

Senator JOHNSON. Why that should be the burden of the Federal Government to change it now is more than I can see. I can't see why the Federal Government should stand the burden of that change. It is not a large matter.

Senator MURRAY. As Senator Kilgore said, there are many little concerns that employ less than eight. I know a concern in California that only has four employees, yet it makes a product for the Navy which supplies the Navy for the whole country. Just one little tinhorn plant out in Fresno, Calif., which makes a nozzle for a spring, some plastic paint on the hulls of ships, which has to be specially constructed with a heat element in it. That little concern makes all of those for the Navy all over the United States, and it just employs four people.

Senator KILGORE. There are a lot of those little plants with highly skilled men in them.

Senator MURRAY. That doesn't answer the question.

Senator JOHNSON. That doesn't answer the Federal burden. Where you find one of those plants, you find 10,000 plants that have nothing to do whatever with the war effort.

Senator MURRAY. If we increase it, if we bring that in here, the Federal Government through these bills proposes to reimburse the States for that additional amount that they pay out. And we feel that that should be done in this emergency which we are facing, the danger of widespread unemployment, which would have a very damaging effect on the country.

Senator JOHNSON. The George report deals with the policy of assistance to the States through loans.

Paragraph 2. It, meaning the George committee, decided that Government workers, including employees of the War Shipping Administration, should be covered under the laws of the States where their wage credits would have accumulated had they previously been under the law. That their benefits be calculated under the State law, based on the amount they earned while employed by the Federal Government. That the payment to them be made by the States and that the Federal Government reimburse the States for any such payments.

Are you in disagreement with that reimbursement provision?

Senator MURRAY. No; I think that is exactly what we are trying to do. We propose to reimburse the States.

Senator KILGORE. Senator Murray and I have been working on that same idea of a reimbursement, rather than a loan.

Senator MURRAY. Some of the State collectors who appeared before the George committee are opposed to a subsidy or any grant or anything, but said that they would prefer, one or two of them did, that they would prefer to get nothing from the Federal Government except a loan to aid them in carrying it out.

In other words, they didn't want to let the Federal Government have anything to do with it. They didn't want the Federal Government to get its toes under the tent there, which might finally result in federalizing the system.

Senator KILGFRE. Off the record.

(Discussion off the record followed.)

Senator MURRAY. Along the lines Senator Kilgore has been talking, there is a widespread sentiment in the country that it should be federalized. Take the Washington Post, a very conservative newspaper. It comments on Mr. Willkie's statement and points out that it should be federalized.

Senator AUSTIN. I tell you, I don't think the George committee has apprized the public opinion beyond the witnesses that have appeared before it.

Senator MURRAY. That is right.

Senator AUSTIN. It may be as you say, that this change has occurred in the country and that there is an opinion which Mr. Willkie represents in his statement. But regardless of that, this is the view of the George committee.

Senator JOHNSON. Yes. Yesterday, on the floor of the Senate, that question was indirectly tested. Senator La Follette, who presented the view of the States, won out, as you recall.

Senator AUSTIN. I think that vote yesterday was rather surprising. It did surprise me and is in line with this report from the George committee. It supported the opinion that came by telegram from these representatives of the State administrative organizations, and it fits what we think as a committee, the George committee thinks is an important decision, that is in between federalization and nonfederalization.

Senator KILGORE. I want to disagree with you as far as one Senator who voted, was concerned. Here was a going machine. I voted because in my State the organization for paying unemployment compensation had already been stripped to the bone, the constant minor cuts, and I voted in order that it might keep alive. Not as a decision between federalization and State operation, but mine was to make dead sure that the machinery didn't break down; that was what I was voting for.

Senator AUSTIN. That is a rational decision, I think.

Senator JOHNSON. Yes; but that is the very point, Senator La Follette made, that they want to see the State machinery break down so the Federal Government can take them over.

Senator MURRAY. Did I understand Senator La Follette then supported the State view?

Senator JOHNSON. That is right. Senator La Follette supported the State view. That controversy has been up repeatedly in the Senate Finance Committee through the years, and the State side of the argument has always won overwhelmingly, almost unanimously in the Senate Finance Committee.

Senator MURRAY. How did this vote come up yesterday? What was it on? I don't recall.

Senator JOHNSON. It was on the increase of appropriation from $25,000,000 to $31,000,000, I think it was. It was reduced to $25,000,000.

Senator MURRAY. Who introduced it?

Senator KILGORE. The bill was introduced to increase it to 31,000,000, so the State machinery would not break down. Senator La Follette supported the movement. I voted for it, as I previously said.

Senator AUSTIN. I want to express the wish of the George committee that you can all come to the meeting over there this morning. It started at 10:30. They asked me to invite you all. They are going to have testimony on this subject, among others.

Senator KILGORE. Senator Austin, could I ask you a question. In the testimony over there, has there been any testimony as to the scale of unemployment compensation paid by the States as compared with the present cost of living and with what, under present, existing acts, which guarantee farm prices for a period of 2 years, post-war, what effect that will have if we limit payments to the amount set forth by the States? In other words, most of the laws, I believe, were formulated in the period prior to 1940 before the present rise in prices took place. That point was made by Mayor LaGuardia here—the increased cost of living now, which will probably continue for a couple or 3 years.

Senator AUSTIN. I can't say that particular comparison was made. Of course, there have been many comparisons made. Our records are full of figures from the several States, but whether that particular one relating to cost of living was made, I can't remember. I know that we had specific examples set up that tended to show that under your plan in S. 1893, a man with three children, getting benefits that are set up according to that standard, who had formerly been employed 48 hours a week, and who now would be on the basis of 40 hours, and then out of employment, unemployed, would get more under the law for benefits than he could earn. Therefore, his inducements were all against earning and against serving. That comparison was made. And other comparisons were made; as to the one you mentioned in particular, I don't know whether it was made or not.

Senator KILGORE. If he were getting 40 hours work, on a basis of a 40-hour week, on what scale would you figure you would get more? Because he is limited to 80 percent with the ceiling? I think the definite ceiling is probably $35.

Senator AUSTIN. You would pay him $35, and he would get less than $35 a week if he worked.

Senator KILGORE. At 40 hours?

Senator AUSTIN. Yes.

Senator KILGORE. If he worked less than 40 hours a week, he would only draw 80 percent of his pay.

Senator AUSTIN. I don't propose to engage in a debate with you about the application of particular cases.

Senator MURRAY. In the testimony we had up here yesterday afternoon, Mr. Cohen, from the Social Security Administration, testified on that and pointed out how that could be.

Senator KILGORE. In the case of part-time workers.

Senator MURRAY. He showed how they would be able to get more pay for not working than for working?

Senator KILGORE. No; how a part-time worker, for instance, a man—that possibly should be susceptible of amendment—how a man working part-time employment could run his pay up to as much as $56 a week, including the curtailment.

Senator MURRAY. Any way, his testimony, I suppose, will be transcribed and we can see that.

Senator JOHNSON. What does the commitee want to do?

(Discussion off the record followed.)

Senator JOHNSON. Getting back to the record, we have a communication here from the War Department, signed by Under Secretary of War Robert P. Patterson. I think all of you have copies before you, but I presume we ought to read that and consider it. I will read it, unless someone has an objection. This is addressed to Senator Murray.

(The letter referred to is as follows:)

WAR DEPARTMENT,
Washington, D. C., June 14, 1944.

Hon. JAMES E. MURRAY,
War Contracts Subcommittee,
Committee on Military Affairs of the United States Senate,
Washington, D. C.

MY DEAR SENATOR MURRAY: As requested by your letter of June 9, I am glad to give you our comments on Subcommittee Print No. 3 of S. 1730, dated June 9, 1944, and Subcommittee Print No. 1 of S. 1893, dated June 9, 1944.

The War Department has no objection of substance to the provisions of this revised form of S. 1730. We believe that titles I and II of this draft are workable and generally desirable legislation. As for titles III and IV, the War Department strongly endorses section 301 and favors adequate provision for unemployment compensation and benefits for servicemen and unemployed war workers, but is not prepared to comment on the specific provisions with respect to them.

On the other hand, the War Department has serious objections to many of the principal features of the revised draft of S. 1893, and believes its enactment would be unwise and undesirable. Some of the major provisions to which we object are as follows:

1. Title I of this bill appears to contemplate a complex central agency with extensive functions and operations. Our experience convinces us that an over-all agency must be limited to establishing basic policy and planning, in order to perform its essential functions without becoming an administrative bottleneck. We fully agree with the testimony of Mr. Justice Byrnes before your committee on June 12, that to be effective such an office must be small and compact. In our opinion, the agency created by title I of S. 1893 would inevitably tend to become unduly large and to invade the operating fields of existing agencies and duplicate their operations. We think that this would interfere with efficient administration and would defeat the basic objectives of an over-all agency.

2. Section 105 is considered undesirable for several reasons. First, it seems inappropriate to require the President to appoint the Board from panels submitted by national organizations of industry, labor, and agriculture; appointments to an agency of this importance should not be limited in this manner or put under the control of private interests. Secondly, the War Department strenuously objects to the provision that the Board and each member shall have access to all data of the over-all office and of all other Government agencies bearing on war mobilization and post-war adjustment; this would obviously violate necessary military security and interfere with the orderly operation of the Department during the war. Furthermore, subsection 105 (e) would require the procuring agencies to consult with industrial or area councils representing industry, labor, and agriculture with respect to "policies, programs, and operations affecting industrial segments or geographical areas." This would seem to require such consultation by the War Department on every award, termination, or modification of any contract and would be wholly impracticable.

3. Section 201 would impose on the Chairman of the War Production Board the duty to review military production programs and to establish "policies and programs for the expansion, transfer, and curtailment of military production" covering specific products, firms, industry segments, and geographical areas, and to develop programs for curtailing military production based on assumed military developments. Such duties would directly interfere with the basic responsibility of the armed services for the procurement and production of military supplies and for determining their requirements for various military items.

4. Section 203 would require every procurement agency to report to the War Production Board "every projected change in its procurement program, including the award of new contracts and the modification, transfer, or termination of contracts previously awarded." In view of the thousands of such transactions, this blanket requirement would impose serious administrative burdens without corresponding benefits.

5. Title III deals with the disposition of surplus war property. Many of its provisions follow the bill recommended to your subcommittee by the Surplus Property Administrator and approved by the War Department. But certain of its other provisions, particularly sections 306, 308, and 310 differ from these recommendations. To the extent this bill differs in substance from the draft submitted by the Surplus Property Administrator, the War Department considers its provisions objectionable.

6. Title IV deals primarily with reemployment and unemployment benefits. While the War Department favors adequate provisions for these purposes, it is not prepared to comment on the particular provisions in the proposed draft, since these are not within its field of responsibility. Section 401 (c) dealing with the demobilization of servicemen is ambiguous; and might be interpreted to establish a policy different from that prescribed by section 301 of S. 1730. If that is its purpose, the War Department is strongly opposed to this provision.

In view of these and other objections, the War Department believes that S. 1893, as revised, should not be reported or enacted. We believe that the revised form S. 1730 is basically sound, and in view of the need for prompt action, recommend that S. 1730 be used as the vehicle for this legislation instead of attempting to revise S. 1893 completely to eliminate its many undesirable features.

Since you asked to have our comments immediately, we have limited them to matters of substance without dealing with defects of form or detail in either of the drafts. The Department has not been advised by the Bureau of the Budget as to the relation of this legislation to the program of the President.

Sincerely yours,

ROBERT P. PATTERSON,
Under Secretary of War.

Senator JOHNSON. Well, he is quite specific in what he had to say.

Getting back to what we are going to do this morning, I know Senator Austin is anxious to have that point decided. What are we going to do? Recess and go over?

Senator AUSTIN. I think the wise course for this committee to pursue is the one that aims principally at the soundness of legislation rather than at the speed of getting it out. Therefore, I wish you would vote to go over to the committee that is hearing testimony on this subject at this time.

Senator HILL. I understand Mr. Clayton, who is the Surplus War Property Administrator, is testifying over there.

Senator TRUMAN. I move that we accept the invitation of Senator Austin.

Senator JOHNSON. All in favor say "aye." Opposed, "no."

(The motion was carried.)

Senator KILGORE. I am going to vote "no," until I find out something. When can we have a meeting to decide on something in the Military Affairs Committee?

Senator AUSTIN. We can have it this afternoon after that meting is over.

Senator JOHNSON. Can't we have it this afternoon?

Senator AUSTIN. This afternoon. It is highly important, I realize, Senator Kilgore, just as you have said. It is highly important to get something out on the Senate floor.

Senator KILGORE. The Post-war Committee not being a legislative committee, can't get a bill out. Something must be done from some legislative committee.

Senator JOHNSON. If there is no objection, we will have a meeting here at 2 o'clock this afternoon.

Senator HILL. I want to bring up one more question. I don't know whether we are going to recess or not——

Senator JOHNSON. Is this on the record?

Senator HILL. It is all right with me. There is no need to put it on the record.

Senator JOHNSON. This will be off the record, then, Senator Hill.

(Discussion off the record followed.)

Senator JOHNSON. We will adjourn at this time, gentlemen.

(Whereupon, at 10:55 a. m., the meeting adjourned.)

APPENDIX

HOUSE OF REPRESENTATIVES,
Washington, D. C., June 15, 1944.

Senator ROBERT REYNOLDS,
Chairman, Senate Military Affairs Committee,
Washington, D. C.

DEAR SENATOR REYNOLDS: I am enclosing herewith letter received from Hon. Walter E. Edge, Governor of New Jersey, expressing his views in regard to S. 1730, now pending before your committee. In the further study of this legislation, I shall appreciate your consideration of the statements made by the Governor.

Sincerely yours,

ELMER H. WENE.

STATE OF NEW JERSEY,
June 13, 1944.

Hon. ELMER H. WENE,
House Office Building, Washington, D. C.

DEAR CONGRESSMAN WENE: The proposed revision of S. 1730 recently brought to my attention contains provisions that are in direct contradiction to the very forceful resolutions adopted at the Governors' conference at Hershey, Pa.

The Governors of 39 States went on record for the immediate return to the States of the employment services as soon as hostilities end. Yet, the revised S. 1730 would continue Federal control of these employment services for 2 years after the end of the war. To my mind there is no excuse for such continuance, since the States would be far better able to work out reemployment programs at a local level rather than for them to be directed from Washington.

As a matter of fact, the 2 years immediately following the end of the war is the time when these employment services would be of the greatest value to the State governments, and, accordingly, I should be very pleased if you would lend your efforts to change this provision.

Another provision in the bill would provide some Federal assistance for State unemployment compensation funds that get into financial difficulties. However, the price of such proffered Federal assistance would be to substantially increase the duration and amount of benefit payments to the point where stability of the funds might well be jeopardized. On this basis I hope you will see your way clear to leave the unemployment-compensation-benefits provisions flexible enough to insure solventy.

Sincerely yours,

WALTER E. EDGE, *Governor.*

AMERICAN FEDERATION OF LABOR,
Washington D. C., June 15, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Senate Military Affairs Committee,
United States Capitol, Washington, D. C.

DEAR MR. CHAIRMAN: As you are aware, the representatives of the Railroad Brotherhoods, the Congress of Industrial Organizations, the Farmers Union, and the American Federation of Labor have met jointly with Senators Kilgore and Murray on numerous occasions in an endeavor to reconcile differences between S. 1730 and S. 1893.

The representatives of the four organizations thereafter met jointly and are in agreement on the terms of S. 1893, as set forth in the committee print of June 9. This print is a combination of both bills.

Beginning on page 30, parts of sections 407, 408, and 409 are carried in the G. I. bill (S. 1767) just enacted, and while it would do no harm to carry these matters

in regard to ex-servicemen in the bill, S. 1893, they could just as well be eliminated.

On page 32 of the bill, line 5, the figure "80" should be striken and "60" inserted, ts the former figure is too high.

In addition to the foregoing, S. 1730 sets up several committees which are not as satisfactory as is the set-up in S. 1893 as revised.

As I have previously advised, it is not of great importance to us as to the number of the bill or who gets the credit for authorship, as our interest in this matter is to get satisfactory legislation.

May I impress upon you the necessity of prompt action on this legislation as it is going to be needed before the war ends.

If our invasion proceeds satisfactorily there can be no question but that additional cut-backs to those now being made will be put into effect, with resulting unemployment.

With kindest personal regards and best wishes,

Sincerely yours,

W. C. HUSHING,
National Legislative Committee, American Federation of Labor.

WASHINGTON, *D. C., June 15, 1944.*

Hon. ROBERT R. REYNOLDS,
Chairman, Military Affairs Committee of the Senate,
Washington, D. C.

Every member of the Railway Labor Executives Association was furnished with copies of Senate bills, S. 1730, George-Murray bill, and S. 1823, Kilgore bill; and at a meeting of the association may 15 endorsed the Kilgore bill. Subsequently each member was furnished with a revised copy of S. 1730 and also a copy of S. 1893 [a revision of S. 1823], and while in session both bills were reviewed and considered; our association is unanimously opposed to S. 1730 because of its numerous weaknesses and unanimously endorse the Kilgore bill, S. 1893. Since the provisions of the latter bill, broad in scope, can and will accomplish the principal purposes which are to guard against chaos and unemployment, a united cooperative effort will bring about full production and full employment and prevent a repetition of the experience following the last war when big interests followed the narrow path clamoring against Government participation and when it failed was the first to beg the Government to save it. The Kilgore bill if properly applied will prevent the repetition of such a vicious circle. We respectfully request that this be made a part of the record for the benefit of the members of the Military Affairs Committee and urge that they support the Kilgore bill, S. 1893.

T. C. CASHEN,
Chairman,
T. J. G. LUHRSEN,
Executive Secretary,
Railway Labor Executives Association.

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Columbia University
NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination," and in Parts 1 to 8 entitled "Mobilization and Demobilization Problems")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1730

A BILL TO CREATE AN OFFICE OF DEMOBILIZATION, ESTABLISH GENERAL POLICIES FOR THE OPERATION OF THAT OFFICE, PROVIDE FOR THE SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS, PROVIDE FOR THE DISPOSAL OF SURPLUS GOVERNMENT PROPERTY, AND FOR OTHER PURPOSES

S. 1893

(Supersedes S. 1823)

A BILL TO PROVIDE FOR THE ESTABLISHMENT OF AN OFFICE OF WAR MOBILIZATION AND ADJUSTMENT, AND FOR OTHER PURPOSES

PART 9

AIRCRAFT HEARINGS

JULY 10, 11, 12, 1944

Printed for the use of the Committee on Military Affairs

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

MONDAY, JULY 10, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to notice, at 10:30 a. m., in room 457, Senate Office Building, Senator James E. Murray (chairman) presiding.

Present: Senator Murray.

Also present: Charles A. Murray, Bertram M. Gross, and Kurt Borchardt.

Senator MURRAY. Gentlemen, the hearing will come to order. The first witness is Mr. Eugene E. Wilson, vice chairman of the United Aircraft Corporation. Mr. Wilson, I understand, has Mr. J. Carlton Ward, Jr., president of the Fairchild Engine & Airplane Corporation; Harry Woodhead, president of Consolidated Vultee Aircraft Corporation; and Mr. Joseph T. Geuting, vice president, General Aircraft Corporation, with him presenting this matter this morning.

Will these gentlemen come forward, please?

Gentlemen, this hearing has been prompted by reason of the conditions that developed as a result of the sudden termination of the Navy Department's contract with the Brewster Aeronautical Corporation.

As a result of the widespread publicity surrounding the Brewster situation, considerable interest has developed throughout the country, and comprehensive post-war planning on the part of the Government.

Moreover, I am informed that the War Production Board has already set forth detailed procedures to be followed in carrying out cut-backs in war production.

Other agencies of the Government are at work on the same problem.

Inasmuch as legislation dealing with this subject is now before Congress, we are particularly interested in the specific details of the plans that are now being made and the proposals that are being developed by industry, labor, and the Government. Accordingly, these hearings have been arranged to bring forth the best thinking to date on the subject of war production cut-backs and reconversion.

The aircraft industry has been selected for special attention not only because of the Brewster case, but also because of the fact that the curtailment in this industry will perhaps create the most serious problem of unemployment with which our Nation will be faced at the end of the war.

The witnesses will include representative groups from the aircraft industry, officers of the unions in the aircraft field, and officials of the War Production Board, the Army, and the Navy.

Mr. Wilson, the vice chairman of United Aircraft Corporation, is the first witness. Are you ready to start?

Mr. WILSON. Yes, sir.

STATEMENT OF EUGENE E. WILSON, CHAIRMAN, BOARD OF GOVERNORS, AERONAUTICAL CHAMBER OF COMMERCE OF AMERICA, AND VICE CHAIRMAN OF THE UNITED AIRCRAFT CORPORATION

Mr. WILSON. Mr. Chairman, I do not have to tell you how happy we are to have the opportunity to address this committee. We have taken this very seriously, and in the last month have had meetings of the east coast group and the west coast group, and have coordinated their points of view in this somewhat formidable statement which will be presented for the record.

To save the committee's time, Mr. Woodhead, Mr. Ward and Mr. Geuting will review more or less extemporaneously the principles and high lights of this statement.

We would like to emphasize that, while taking part in the attempt to arrive at a solution for post-war problems, we are, of course, not letting up in our production efforts. However, we are strongly conscious of the fact that at the close of the last war, we were quite as unprepared for the armistice as we were unprepared for the war in the beginning, and we feel a public responsibility, as well as a responsibility to our employees, to aid this committee in its studies in any way we can.

With this in mind, on April 26 of this year we held a meeting in Los Angeles of the new board of governors of the Aeronautical Chamber of Commerce. We took advantage of the meeting there of the War Production councils whose task is predominantly that of advancing production. We took time out to reorganize the chamber and to make certain recommendations.

For your information, I am chairman of the board of governors of the chamber; Donald Douglas, president of the Douglas Aircraft Co., is vice chairman; James P. Murray of Boeing Aircraft Co. is president of the chamber; and L. D. Bell, of Bell Aircraft, and La-Motte Cohu, of Northrup Aircraft, are vice presidents. The board of governors consists of E. R. Breech, president, Bendix Aviation Corporation; Clayton J. Brukner, president, the Waco Aircraft Co.; Victor Emanuel, president, the Aviation Corporation; R. E. Gillmore, president, Sperry Gyroscope Co., Inc.; Robert E. Gross, president, Lockheed Aircraft Corporation; P. G. Johnson, president, Boeing Aircraft Co.; J. H. Kindelberger, president, North American Aviation, Inc.; Alfred Marchev, president, Republic Aviation Corporation; Glenn L. Martin, president, the Glenn L. Martin Co.; T. Claude Ryan, president, Ryan Aeronautical Co.; Guy W. Vaughan, president, Curtiss-Wright Corporation; J. Carlton Ward, Jr., president, Fairchild Engine & Airplane Corporation; and Harry Woodhead, president, Consolidated Vultee Aircraft Corporation.

This is a truly representative group. This board of governors unanimously passed a resolution, which reads as follows:

The board of governors of the Aeronautical Chamber of Commerce of America, in order to "provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity," and in order to ensure that the airplane which America created shall be used to maintain peace and secure the blessings of peace to mankind, does unanimously recommend the early formulation of an American air power policy under the following guiding principles:

The United States should maintain an air power sufficient (in conjunction with other forces) not only to win this war but also to keep the peace:

I. By maintaining adequate air forces at such strength and in such state of readiness as to preclude a successful assault upon our country or its possessions.

II. By acquiring and maintaining air bases essential to our security and that of overseas trade.

III. By facilitating the orderly and economic expansion of domestic and international air transport and of private flying.

IV. By preserving a strong aircraft manufacturing industry.

We must, of course, train the youth of the country to understand the air as a vast new world for transportation, and to fly the airplanes which use that world.

In looking toward the future, we must assume that huge bombers will be able to attack an objective half way around the globe and return nonstop. We are not likely to be allowed the few hours of grace which follow a declaration of war. Air power will strike like lightning. Announcement of hostilities will come later. We must have air power to discourage and forestall such attacks.

Copies of this little pamphlet[1] have been circulated to the committee, I believe, and perhaps the committee would like to include it in the record.

Now, of course, these recommendations have some reference to foreign policy on a fairly large scale, and they apply particularly in the field of domestic policy, where our feeling is that the Government, labor and industry are mutually interdependent and must cooperate in a statesmanlike way.

From our own point of view, the immediate requirement is the early delineation of an air power policy. Unless we expect to ride off in all directions at once, we need to know where we are going.

We are strongly reminded of our experience at the close of the last war, and we all recall that the termination of contracts was quite ruthless. Surplus war products were dumped on the market. There was even operation of Government-owned plants and the aircraft industry was threatened with destruction prior to the time President Coolidge appointed the board under Dwight Morrow.

That board listened to some 99 witnesses and heard conflicting testimony and conflicting statements of fact, but came up with a clear statement of principles, namely, that a strong air force was vital to our defense, that the backbone of a strong air force was a strong private industry, and that technological development was the outstanding asset of that industry.

Of course, as we know, this was implemented by Congress in the Air Corps Act of 1926, and subsequent legislation that has brought us to our present state.

[1] Pamphlet Air Power listed in appendix III.

Of course, public opinion did not support the maintenance of large forces in that period, and we were in quite a serious situation but we were able to tide it over through foreign orders. Thanks to this policy, we arrived at this emergency with two assets: One, we had technological superiority, and two, we had the ability to expand rapidly to meet the emergency. Those are the fundamental requirements for national defense.

Now, as I have said, technology is the key. That is the industry's responsibility, and we believe that private competition is the key to technological advance.

I might say, as an engineer, that we are just now on the threshold of developments of great importance in this field. We now see that air power is decisive, and when I say air power I am thinking of it, as defined in this little booklet, as including the Air Forces, air transport, personal flying, the aircraft industry, air bases, and, finally air-mindedness.

In that connection we are reminded of the analogy with sea power, and in this little booklet we developed that analogy.

We all recall, of course, that in the period when the British sea power maintained the freedom of the seas, peace and prosperity reigned, and we had the Pax Brittanica. The corresponding effects of air power are only now being brought to light. If air power continues to be used properly in our behalf there can be no doubt of the ultimate results.

Senator MURRAY. What was the status of the airplane industry just prior to the outbreak of the war? What was your position in this country? Were you then equipped with laboratories and technological experts that were able to quickly develop planes for war purposes?

Mr. WILSON. Well, thanks to the policy outlined by the Morrow Board and implemented by the Air Corps Act, and thanks again to competition, the industry had maintained through this period, under great stress and difficulty, design staffs and technical equipment. As a result, we entered the war—striving for production—with technological superiority.

Senator MURRAY. Right from the start?

Mr. WILSON. Yes. We had that and the ability to expand rapidly and those two things, we believe, have been responsible for our present situation.

Senator MURRAY. And it was because of that situation that we were able so quickly to become powerful in the air?

Mr. WILSON. Right.

Senator MURRAY. I recall that, when we had the hearings here on the lease-lend bill, Mr. Lindbergh took the position that it would be impossible for this country, notwithstanding the great productive power, to build up the air forces of the Allies to enable them to compete with the Germans, that it was a futile proposition, and that the best thing to do would be to discontinue any further assistance to the British and the other countries and permit them to negotiate the best peace they could.

That seemed rather strange to me, in view of what you say now, that we were equipped to quickly get into production of the very best kind of planes for war purposes.

Mr. WILSON. Well, I think our whole history is the record of the accomplishment of the impossible, and we ourselves often consider a thing impossible that we turn around and do the next day. It is, of course, a matter of opinion.

Senator MURRAY. It was our production in this country that really put the United Nations in a position to eventually win the war.

Mr. WILSON. It is just my opinion that save for the production orders of the French and British Governments in this country, that we would not have been in that advantageous position at the time the emergency occurred.

Senator MURRAY. They commenced immediately as the threat of war began to develop?

Mr. WILSON. That is right. That emphasized the correlation of continuing production, continuing procurement and development. They go hand in hand. We need continuing production orders in order to continue development.

It is then our belief that we, as the dominant air power, must maintain this situation of ours. The question is often raised as to how we can afford to do that. We believe that we have been somewhat oversold in this country on the idea that the maintenance of the Army or Navy Air Force for security purposes is a burden on the public. We do not believe that. We believe that continuation of the principles that have prevailed in the aircraft industry, namely, that the needs of the armed services are met through procurement and competitive private industry, will bring about technological development. That technological development is translated into air commerce, as it has been through air transport, and we then have a dynamic process of an expanding economy that will promote new opportunities and new employment. I think perhaps the Vice President's speech in Seattle yesterday is somewhat along that line.

The men on the west coast look to the Pacific as the new field, and of course those vast distances are wide open to air transport. As concrete examples of experience along that line, we have the marvelous development of the American air mail. It is hard to get concrete figures, but we are told that this year the sale of air-mail stamps will return to the United States several times the cost of the services rendered by the transport lines. In other words, the air mail is not a subsidy; it is a profitable investment, and if the profit of the Government is measured by the standard that we are accustomed to, the Government is a profiteer with respect to air mail.

We are reminded, too, of the experience in the Civil War, and when we go back to read about that, we realize how Grant and Sherman and the Union leaders realized the vital need of employment for returning soldiers.

I come from out in the far West, and I am conscious of the pioneering element, and recall that the development of the transcontinental railways was really forced by the United States Government. It is interesting to see the degree to which they went into that. Of course, the returns were enormous, judged on the general basis of the opening and development of the West.

I was told by the president of the New Haven Railway the other day that the land-grant rebates this year would amount to some $350,000,000, and that has been going on for years. Look at that as an investment on the part of the United States. The transcontinental investment has turned out to be profitable to the Government.

We feel that if these things are handled through competitive, private

industry, they are investments rather than a burden on the people, and we need to reorient our principles. Meanwhile, we in the aircraft industry are struggling to survive. That has been our objective since the beginning.

Of course, three hurdles confront us, namely, the termination of war contracts disposal of surplus goods, and surplus plants. We are deeply gratified at the work that has been done by Congress in the Termination Act. We feel that there is need for some similar work in connection with the delineation of principles as to the disposal of surplus goods and surplus plants.

The Government is our present customer and no supplier can compete with his customer. That is obvious. The objective we have is to contract to whatever size the requirements justify, but still to retain the technological superiority and still be able to expand again as we did once before. That is a very complex problem. We have not got all the answers for it.

Fundamentally, we seek no subsidy but only the opportunity to compete on constructive ground. Again, we are impressed with the similarity of the situation here and that which existed at the time of the Morrow Board. There was great confusion and uncertainty. Committees met and discussed this whole problem, but nothing happened until this statesmanlike group resolved the principles and made some recommendations which Congress implemented into a policy. Meanwhile, our task is to assist Congress in the discharge of its responsibility, and the final recommendation for my part of the testimony in this report is the crux of my statement, which reads:

The maintenance of air power is the master need as we move the aircraft industry from war to peace. Technological development through competitive industry is the key to air power. In the light of proven and decisive character of air power, we recommend new legislation restating as national policy the advance of technological development of aviation through competitive private industry. There are many angles to the task of bringing that legislation up to date, and I would like to close by offering to the committee the services of the Aeronautical Chamber of Commerce, or its executive committee, or its specialists, in any effort you might like to make along that line.

Senator MURRAY. Your view is that it is important that the industry shall remain as a competitive industry, and that any attempt to have a monopoly should be very carefully examined into by Congress and prevented?

Mr. WILSON. We feel specifically that there can be no controversy with respect to the technological development. That is a matter of internal policy and a matter of our own security. The Air Corps Act of 1926 and other legislation provided certain facilities for that purpose, but predicated it on a viewpoint with respect to the air that existed back there in 1925. We have gone a long way since then and we believe that this should be brought up to date, that the national policy should be outlined clearly in the legislation, and a process developed by which we can advance our technology competitively.

We do not know of any other way to advance technology except through the struggle to survive, which is the very essence of competitive private industry.

Senator MURRAY. You look forward to a broad expansion of the civilian airplane industry?

Mr. WILSON. Yes, sir. We think the key to this cut-back is a transition from a predominant air force to a predominant air commerce.

Senator MURRAY. Have you presented your full statement?

Mr. WILSON. Yes, sir.

Senator MURRAY. Thank you, very much. Do any of your associates desire to make a statement?

Mr. WILSON. Mr. Woodhead is ready to go ahead with his portion of it.

STATEMENT OF HARRY WOODHEAD, MEMBER OF THE BOARD OF GOVERNORS, AERONAUTICAL CHAMBER OF COMMERCE OF AMERICA, AND PRESIDENT OF CONSOLIDATED VULTEE AIRCRAFT CORPORATION

Mr. WOODHEAD. The George-Murray bill, S. 1730, provides a national program for demobilization and post-war adjustment. Of the four titles of the bill, the ones on (1) industrial demobilization and reconversion, and (2) manpower demobilization and reemployment bear on the aircraft industry.

The committee requested the aircraft industry to present before the War Contracts Subcommittee its viewpoints on eight questions concerned with the industrial and human aspects of demobilization.

In our answers to the committee's questions, we are being as specific as possible. Some of the problems reflected in the committee's questions still are in relatively early stages of study, both by Government and industry. In many cases, industry cannot make plans with any degree of finality until it knows what are to be the national policies and how the agencies of Government shall administer those policies. As the work of your committee proceeds, and as some of the uncertainties are resolved, you may wish to ask the aircraft manufacturers to appear again with their facts, conclusions, and recommendations.

A close interrelationship exists in many of the committee's questions, and we have, for clarity, arranged our answers in four groups: Group 1, manpower demobilization; group 2, termination methods and problems; group 3, surplus disposal and reconversion; group 4, post-war national defense program and the aircraft industry.

The problem of employment will be foremost in the minds of all Americans when this war ends. We can store excess machinery, but we cannot store surplus human beings. Recognizing the importance of a successful readjustment of millions of men and women to the post-war economy, we first will give our answers to the committee's questions concerning demobilization of manpower and treat the other groups later.

MANPOWER DEMOBILIZATION

The committee's question is: What provision should be made for employees who are released from wartime aircraft production (1) through unemployment compensation, (2) through retraining, and (3) through transportation to other localities?

In addition, this question cuts across all other topics.

UNEMPLOYMENT INSURANCE

The aircraft industry wants full employment for everybody, but it realizes there will be a difficult transition period before this aim can be achieved. Demobilization will be a national problem.

The industry is in thorough agreement with the principle of adequate unemployment insurance as an essential to orderly manpower demobilization and reemployment.

The industry realizes that expansion of unemployment benefits will ultimately mean an additional burden to all industry. As part of the national economy, the aircraft industry will be glad to share this burden with all other industries.

Payments should be far enough below the average wage scale to provide a safeguard against voluntary unemployment at Government expense.

The sum of industry recommendations made below in answer to Senator Murray's other questions will permit a more orderly return to peacetime production and, therefore, a considerable lessening of the dangers of sudden mass unemployment.

RETRAINING

Many of the workers presently employed by the aircraft industry have had no previous industrial experience. They have been trained for their specific jobs by the aircraft industry.

Retraining will be necessary for many of those who go into other industries. We believe that the new employer or suitable educational agencies should assume the responsibility of training these workers for the new jobs.

This would prevent the disappointments and waste of money resulting from training people for jobs which do not exist.

TRANSPORTATION

In many aircraft plants it has been necessary to bring workers from great distances. We endorse that part of the George-Murray bill providing transportation of these workers to other jobs or back to their bona fide residences at Government expense.

OTHER METHODS

(*a*) War contractors should supply prompt and detailed information on reductions in employment to Government employment offices and other interested agencies.

(*b*) Such agencies should provide full information concerning new employment opportunities and conditions to released employees.

(*c*) War contractors and Government employment offices should collaborate to assist employees in finding new employment opportunities quickly.

INDUSTRY'S ABILITY TO ASSUME FINANCIAL RESPONSIBILITY IN MANPOWER DEMOBILIZATION

The aircraft industry expanded its production of war weapons at the Government's request. For a large amount of this production there will be no use and no demand after the war is over. The industry thus represents a large share of the general problem of the reallocation of labor that will be necessary before maximum employment can be achieved for the country as a whole.

This demobilization problem is not that of the aircraft industry alone but of the national economy, as a whole. The industry can contribute to the solution of the problem by wholehearted cooperation in the activities previously described.

The financial position of the aircraft industry aggravates its problems in converting from wartime to peacetime operations. Only a few years ago, the industry ranked a lowly forty-fourth in importance to our national economy. It was a youthful industry, striving to advance. It was mushroomed out of all proportion to its former status. Aircraft building was small business; our outlook is for a return to the status of relatively small business.

This tremendous expansion has taken place under the demands of war. During normal peacetime growth, aircraft makers gradually would have acquired the financial resources necessary to sustain increased volume. Working capital has increased but, under wartime controls, has not by any means kept pace with responsibilities and obligations imposed by a greatly expanded production.

The rate of net profits on sales volumes in aircraft is the lowest of any industry engaged in war production. In 1943 the percentage of net income to sales for 24 major aircraft and parts manufacturers was 1.8, according to the National City Bank of New York.

Following is a comparison of war industry profits. These are net profits on sales for 1943.

	Percent
Non-ferrous metals	9.0
Petroleum products	6.8
Automobile (including aircraft sales)	3.2
Railway equipment	3.1
Iron and steel industry	2.8
Aircraft and parts	1.8

The profits reported by the aircraft manufacturers during the war period are to a large extent bookkeeping figures. The ultimate profits, if any, of the industry during the war can only be determined when all final settlements have been made. A very substantial part of the bookkeeping profits are still in the business, largely in the form of inventories and other properties which will be subject to drastic shrinkage in values. Only a small part has been paid out in dividends. But in spite of this conservative practice, working capital is meager in relation to the obligations of the business. It is safe to say that the entire net current assets of the industry would not equal 1 month's operating costs at present production rates.

The industry, while eager to do its full share during the conversion period, may have difficulty in meeting its present obligations, to say nothing of assuming additional burdens.

TERMINATION METHODS AND PROBLEMS

The committee's questions were as follows:

1. To what extent is it necessary to achieve better coordination between the cut-back program of the Navy Department and that of the War Department? How can this best be achieved?

2. Once it is decided to cut back a given program by a given amount, what yardsticks should be used in deciding which companies are cut and how much each company is cut?

3. What should be the policy governing advance notice of cut-backs for, first, the company? Second, the subcontractors? Third, the employees? And, fourth, other Government agencies?

5. How can production cut-backs in aircraft best be integrated and synchronized with the development of other types of war production?

CONTRACT TERMINATION

The principles set forth in the Murray Contract Termination Act are sound and workable, if properly administered.

The industry believes that, once the need for given types of aircraft and equipment ends, contracts should be terminated promptly. This is sound policy from the taxpayer's standpoint and it is sound policy from the industry's point of view. We don't want to produce planes to fill warehouses.

Termination must be orderly and planned to assure the uninterrupted continuation of remaining Government orders.

An orderly and planned termination program will accomplish:

(*a*) Continuation of planes of new design, either in production or projected, if in the opinion of the Army or Navy they are needed for the maintenance of air power.

(*b*) Continuation of development of experimental types which will contribute to advances in the sciences.

(*c*) Complete termination of types of which there are excess quantities and of types which are no longer of tactical value.

A planned and orderly termination plan must—

(*a*) Prevent precipitous and continued wholesale unemployment.

(*b*) Provide employment in nonwar industries in proportion to decreased employment in war industries.

These are the industry's replies to question 1 of the Murray committee:

It is necessary to continue and extend coordination between Army and Navy cut-back programs to the fullest extent. If a program is to be decreased by one branch of the service, it might prove that the other would have business to fill up the manufacturing facilities so released without serious interruption of production.

The Army and Navy not only should be in accord on their programs but should continue close contact with other Government agencies and the aircraft manufacturers. Thus, when cut-backs appear probable, these agencies and the manufacturers will have the maximum possible time to adjust their schedules.

Extension of the policy of collaboration between the services and the industry would have many advantages. It would cut the cost to the Government of excess inventories of parts, work in process and raw materials, by permitting the manufacturer to schedule his work and his purchases more closely with the revised program. Both the employer and the employee would benefit by more realistic planning, closer scheduling of labor supply and material requirements, and advantages in subcontracting.

What the industry needs now is the same unity of planning and administration applied to demobilization as the Aircraft Production Board brought to production scheduling.

FACTORS TO BE CONSIDERED IN CUT-BACKS

Many interrelated, and in some csaes, conflicting facts need to be considered before a just decision can be made on cut-backs. The weight of the different criteria influencing such a decision will vary greatly with individual cases. It is, therefore, impossible to make a conclusive statement. The overriding consideration should be the safeguarding of the creative design staffs of the pioneer aircraft companies. We can further state several major factors which should be taken into consideration.

1. The aircraft industry has a relatively small post-war market awaiting it. Aircraft cut-backs should, therefore, be effective first for those temporary aircraft manufacturers such as the automobile industry, which have substantial post-war markets waiting for them.

2. Problems of the creator of the original design should be given consideration in the decision as to which manufacturer is going to be cut back first—the licensee or the basic manufacturer.

3. Present production status of manufacturers concerned.

4. Local manpower situation.

5. Over-all costs of the products to the Government.

6. Manpower utilization.

7. Meeting of production schedules.

8. Contributions to progress of aviation.

9. Needs of the aircraft industry to prepare for post-war development and production.

10. Orders for aircraft that are becoming obsolete should be cut back before orders for airaraft of more advanced design and of greater tactical usefulness.

ADVANCE NOTICE OF CUT-BACKS DURING THE WAR

The primary consideration for all cut-backs during the war has been and should be the earliest possible determination as to how many airplanes of each model will be required by the Army and Navy.

(*a*) Advance notice to the company: The aircraft manufacturing cycle is from 60 to 120 days. Unless the Government gives cut-back notice to the manufacturers at least that far in advance, it will receive only semifinished parts of indeterminate value and with attendant contract settlement problems. Such 60 to 120 day advance notice will give the Government complete aircraft instead of partially processed materials and miscellaneous parts which may or may not be usable. In the long run this should prove sounder economy for the Government.

Senator MURRAY. I would like to ask you if that would be a very difficult thing for the Army or the Navy to do? Shouldn't they be in a position to determine some considerable time in advance the

situation and be able to determine that a cut-back is going to be necessary?

Mr. WOODHEAD. Yes, sir; we believe they should, although tactical changes come up rather quickly.

In other words, they may experience a certain condition over in Europe and immediately require a different type of plane or a complete rebuilding of an existing plane.

Senator MURRAY. That is right. That has occurred many times as a result of experience in actual combat.

Mr. WOODHEAD. Sometimes it may be that somebody hesitates or procrastinates a little bit, and does not make up his mind quite quick enough.

Senator MURRAY. But in the present state of the war, it would seem to me that the planes that are now in use are the result of considerable study and technological advance, so that they should be able to determine when they have a sufficient supply of those planes, and when it may be necessary to cut them back.

Mr. WOODHEAD. Yes, sir.

Senator MURRAY. All right; proceed.

Mr. WOODHEAD. Adequate notice will help both Government and industry in the solution of two other difficult problems. The first is the loss of workers hard to replace. The second is the evaluation of work in process. These are serious handicaps to speedy termination of contracts.

(*b*) Advance notice to subcontractors and suppliers: When prime contractors are given formal notice of cut-backs, prime contractors are now required to advise subcontractors promptly, with the instruction to them that this notice be passed on through the various tiers of subcontracting. As a matter of principle as well as good business, all suppliers affected by a cut-back program should be advised as far ahead of time as possible.

(*c*) Advance notice to employees: It is the policy of the aircraft industry to give advance notice to employees of any cut-back which may cause a reduction in manpower. Employees should be advised by the manufacturer as soon as revised personnel requirements can be computed. The speed with which the Government notifies the employer of cut-backs is of vital importance. If advance notice is inadequate, many workers return immediately to their civilian pursuits and are permanently lost to essential industry. This loss goes up to 80 percent of all women workers. If adequate notice is given, half of these workers can be saved for essential industry.

It is important that no statement whatever be released before it is definite and can be stated clearly. Uncertainties are sure to destroy morale and cause disruption of the production process.

(*d*) Advance notice to other Government agencies: All interested agencies, such as the War Production Board and War Manpower Commission, should be informed promptly of projected cut-back programs. It is important, however, that no agencies take any action or release any information affecting the company or the community in which it operates until the agency is fully informed as to the long-range plans of the company concerned.

INTEGRATION AND SYNCHRONIZATION OF CUT-BACKS WITH OTHER WAR PRODUCTION

Cut-backs should not interfere with future production of types of aircraft still in demand by the military. An example will illustrate the complexity of the problem. There are at present three manufacturers producing a certain type of bomber. One of tnese three manufacturers has a new model coming in to replace the one presently produced. If this manufacturer's production were to be cut, labor would leave the area of production and would not be available for the new model except at great expense of money, time and efficiency. In this specific case, the local manpower situation should have a decisive weight. The involved nature of the problem makes it essential to have the industry's viewpoint fully represented at the earliest time at which cut-backs are being considered.

The average aircraft plant is not readily convertible for nonaircraft types of war production. It is also highly unlikely that any emergency will arise during which the facilities and skills of the basic aircraft industry would be more useful in producing anything but airplanes. Should this need arise, however, the aircraft industry stands ready to make its resources available for war production of any type.

SURPLUS DISPOSAL AND RECONVERSION

The committee's questions:

5. How can production cut-backs in aircraft best be integrated and synchronized with the development of other types of civilian aircraft production?

6. What are the important steps that the Government and industry can take now to promote the rapid development of civilian aircraft production?

7. What principles should be followed in handling Government-owned aircraft factories, aircraft and airfields?

Civilian aircraft manufacture should be started at the earliest possible moment which will not interfere with military needs.

Before discussing the committee's questions referring to surplus disposal and reconversion, we wish to point to the major handicap under which the industry is laboring in all its planning activities; namely, the lack of any information on the size of the post-war air force of the United States, and the Nation's technological program for aviation development. While determination of the former may necessitate awaiting world developments, the latter certainly can be determined now. Without such information, all planning—both for military and for civil aviation—lacks a sound basis. Preparation and release of such information is an essential prerequisite to industry planning.

1. Handling Government-owned aircraft factories, aircraft, and airfields: I will take aircraft factories first.

Each company operating a Government factory should be given an opportunity to buy or lease the factory at reasonable terms for use. If, after a reasonable period of time, the manufacturer has not made arrangements for using the Government factory, the Government should then be free to dispose of it to others. If aircraft factories cannot be used by either the original occupant or others, the factories,

if suitable, should be kept under private management as stand-by plants for defense purposes. Aircraft factories should be available for use by their present occupants as warehouses for surplus materials acquired by the Government as a result of contract terminations. Under no circumstances should the plants be operated by the Government.

AIRCRAFT

After the war, the Government will own many different types of aircraft for which it will have no use. These aircraft will be in all parts of the world. They will be in different conditions varying from new to badly worn. The policies of disposal for these aircraft are of major importance to the future of the industry.

The industry commends the Harvard Business School on its excellent report entitled "Disposal of Surplus Aircraft and Major Components Thereof." It heartily endorses many of the principles which the report sets forth.

It is the theme of the report that surplus aircraft constitutes a major asset that can be used to promote production and employment in the post-war aircraft industry by broadening the demand and enlarging the replacement market and creating overhaul and sales work.

The industry appreciates the opportunity for employment created by the need for conversion of military aircraft as well as overhauling and repair of these aircraft to make them of commercial value. However, the employment furnished by this conversion process will maintain only a comparatively small number of people in the factories of the design originators. This business will certainly not maintain sufficient numbers of engineers, supervisory and management personnel and workers to assure the survival of the industry, or the continuation of adequate development and research.

Policies regarding disposal should be determined by one central Government disposal agency to be created by legislative action. This would avoid duplication of effort, confusion, and possible interagency competition. Several agencies and subagencies may prove necessary and desirable, under this one policy-making central authority, to carry out the mechanical functions involved in the disposition of surplus property.

PLANES USEFUL ONLY FOR MILITARY PURPOSES

Such aircraft fall under two categories:

A. Combat aircraft which, because of military action or the vagaries of use and maintenance by foreign nations, are unsuitable for further use and should be scrapped.

B. Combat aircraft suitable for further use which can be sold, leased, or bartered to friendly foreign nations.

In the disposal of planes useful only for military purposes, the Air Forces and the State Department should have a veto power over any action deemed adverse to military security. Disposal of this type of plane should be subject to the approval of a board including representatives of the War, Navy, and State Departments.

Overhaul and maintenance prior to delivery should be under direct supervision of a qualified aircraft manufacturer.

This is most important in order to insure buyers of the high standard of operation and efficiency of aircraft of American manufacture—and to maintain the outstanding reputation of American airplanes.

PLANES PRIMARILY USEFUL FOR SCHEDULED TRANSPORT OPERATIONS

No price favors should be shown in the disposal of surplus transport planes. The sale of planes should not be made the instrument of a subsidy.

Wherever practicable, sales should be made through the manufacturers who originated the design.

Overhaul and reconversion should be made only by qualified manufacturers.

Disposal practice should be governed by the basic principle that the national interest requires that the United States maintain the strongest possible manufacturing and transport industries.

This policy requires the judicious release of surplus aircraft and parts.

Great care must be exercised to assure continuance of design, development, and market. Manufacturers are clearly dependent on a sound transport industry.

Although it may not be practical to establish, at this time, and without consideration of many factors, whether disposal should be by sale or lease, care must be taken to assure that control is provided to eliminate the possibility of pressure developing in later years to continue operation of wartime planes. With this consideration, leasing seems to provide the best control in most cases if limited to 2 or 3 years. Consideration should be given to the effect that the planes, leased or sold, will have on the sound progressive development of two vital industries—air transport and manufacturing.

SMALLER PLANES WITH NONMILITARY USES

The industry approves of the disposal of surplus military aircraft which are closely akin to standard civil types. These include the L2, 3, 4, and 5, which are small liaison planes. Care should be taken that there is no wholesale disposal to brokers or speculators who may hold these planes over the market for several years.

With reference to the disposal of primary, basic, and advanced trainers in civil markets, we urge consideration of these problems:

1. Such aircraft have been built to military specifications for military training purposes.
2. They are designed for military use only and they are not suited for use by civilian purchasers for civilian flight training.

The industry does not agree with the Harvard Business School report that such trainers should be sold at a nominal price.

Surplus military aircraft should be given to schools and colleges for military training only. A survey of leading universities and colleges reveals that a great number wish to continue courses in ground-school instruction and flight training.

We cannot expect to have adequate Air Forces, with trained pilots, navigators, and mechanics, unless we offer opportunity to every able-bodied college student to get such training. The civilian pilot training program, later the War Training Service, made a remarkable

contribution to the Air Forces in the emergency. We strongly recommend the continuation of such a program in colleges and universities. Reasonable Federal subsidies will be needed. We must emphasize, however, that such a program should be in the nature of an R. O. T. C. program, the course of study and training meeting military requirements. We differentiate in the requirements for this type of training from that of the millions of potential applicants for a personal flying license. Such licensing should not be influenced by the restrictions and high requirements of the suggested R. O. T. C. programs.

To encourage such R. O. T. C. programs, as well as training aeronautical engineers, mechanics, and other technicians, the surplus military aircraft, aircraft engines, and components, should be given to them.

MAJOR COMPONENTS

The Harvard report makes the following statements:

> Engines, propellers, and instruments which are not handled carefully are liable to be dangerous on aircraft * * *. The larger, more complex, and expensive instruments, such as gyro flux-gate compasses, should be inspected, overhauled, and sold through the original-design manufacturer at prices specified by the Government. The manufacturer is best suited to insure that proper safety standards are maintained.

In making recommendations with respect to surplus combat aircraft located abroad, the following statement is made:

> United States combat types which have been subjected to the vagaries of use and maintenance by foreign nations should be unhesitantly scrapped for their salvage value in components.

To maintain the reputation of our aircraft, engines and components, we recommend that when surplus military aircraft located abroad are scrapped, the engines and components should likewise be scrapped. It would be an economic waste to try to salvage most of these complicated aeronautical components by returning them to this country for overhaul.

Such components as gyro flux-gate compasses and automatic pilots represent many different units which are installed as systems throughout the plane. To disassemble them after rough military usage they have had under untrained hands in foreign fields, would be no more practicable than returning the completed airplane for overhaul.

AIRFIELDS

All Government-owned airfields not required for military purposes should be made available promptly for commercial or personal flying use at nominal cost to the States, counties, or cities, the upkeep and operating costs of which are to be assumed by the State, county, or city, with assistance from the Government where necessary.

DEVELOPMENT OF CIVILIAN AIRCRAFT PRODUCTION

The aircraft industry, to meet the demands of an air-minded public, should be planning on the type of products which it hopes to manufacture at the end of the war, and should be taking all steps possible for the development, tooling, production, and marketing of these products. Experience gained in aerodynamically clean airplanes for

commercial use has made and can continue to make great contributions to the design of efficient military aircraft. In order that the Nation may have a strong and virile post-war aircraft industry, the Government should now permit and encourage companies to use a part of their engineering, tooling, and manufacturing facilities for the development of civilian aircraft. The Government should make available to each cost-plus-fixed-fee, as well as fixed-price manufacturer at a nominal cost the design and engineering data, tooling and other facilities developed for his own military aircraft which might be adaptable, at least in part, in his civilian aircraft.

As long as there is no interference with the war effort, it is undoubtedly to the benefit of the country as a whole to have all opportunities for post-war employment prepared for in advance, so that production and employment may start promptly when the war ends. Domestic and foreign sales markets should then be opened to free, private competition, subject, of course, to national security requirements.

TRANSPORT AIR LINES

Other steps which the Government should take in the very immediate future are the establishment of policies covering the following items and the informing of the aircraft industry of its policies in regard to transport airlines on the following subjects:

1. Development of a planned and integrated feeder-line system.
2. Every effort should be made to increase the use of air mail as soon as equipment is available and whenever such transportation shall speed delivery.
3. Immediate release of more airplanes to the air lines.
4. Further development of main lines—both foreign and domestic.

That is the end of my part of the statement, sir. I will be glad to answer any questions.

Senator MURRAY. I have a few questions. The supposed revision of S. 1730 contains the following statement of policy on the resumption of civilian production:

> The Government agencies exercising control over manpower, production, or materials shall permit the expansion, resumption, or initiation of production for nonwar use whenever such production does not require materials, components, facilities, or labor needed for war purposes, or will not otherwise adversely affect or interfere with the production for war purposes. Such production for nonwar use shall be permitted regardless of whether one or more competitors normally engaged in the same type of production or still engaged in the performance under any contract which is needed for the prosecution of the war, and shall not be made dependent upon the existence of a concern or the functioning of a concern in a given field of activity at a given time.

Do you agree with such a policy, or do you think that civilian production should be postponed until the competitors can have an even start?

Mr. WOODHEAD. My answer to that is that we definitely are not in agreement with holding up production where a concern is in a position to go ahead without interfering with the war effort.

But we do feel that this would be the only fair and proper thing to do: Let me make it more of a personal situation. Suppose my company were in production 100 percent on an airplane absolutely vital to the war effort, and that therefore we were not able to do any

post-war work whatever. Supposing a competitor had been manufacturing a plane which was no longer required for tactical use, and was in a position to start on his post-war activity. We would be perfectly willing to subscribe to that if we were permitted to increase our facilities or add to our engineering and development personnel to permit us also to start our post-war work at the same time we were continuing 100 percent of our productive efforts on the war requirements. That would give us at least an even start as far as our engineering and development was concerned.

Senator MURRAY. Would such a policy require a considerable number of your employees to be engaged in that work?

Mr. WOODHEAD. No, it would not. It might be that we would have to get permission to hire some additional engineers. We would not take any of them away from the war effort. What we would want to do would be to hire additional engineers whom we could put on post-war activity with the definite proviso that under no consideration would anything that we do interfere with the current war effort.

We would be in favor of going ahead with post-war efforts on the part of our competitors.

Senator MURRAY. What you ask, then, would be that, while you are still engaged in war production, you would want to have the right to prepare plans for reconversion to civilian production so that you might not be delayed in promptly going into civilian production?

Mr. WOODHEAD. In other words, we would not want to be penalized due to the fact that we had been fortunate in producing a plane so vital to the war effort.

Senator MURRAY. And you say that such a policy as that would not in any manner interfere with the war production?

Mr. WOODHEAD. That is right.

Senator MURRAY. And that would be carried on at your own expense?

Mr. WOODHEAD. That is right; that would be our regular post-war development.

Senator MURRAY. Well, isn't that the situation already in many of the big industries of the country? Aren't they engaged at the present time in laying plans and studying?

Mr. WOODHEAD. I am afraid that, sir, is largely mental. For instance, if we happen to be building a plane which is required for the war effort for tactical purposes, immediate tactical purposes, we have to account for what all of our engineers and all of our people are doing. The local Air Corps representative keeps a very close tab on what our engineers are doing, and we are not permitted to take the engineers from the war effort and put them over on post-war.

Senator MURRAY. The technological experience that you have gained in the war production will make it possible for you to have considerable advantage in the production of civilian requirements as soon as you are able to?

Mr. WOODHEAD. To an appreciable extent, sir. Of course, you also realize that the production of military aircraft will sometimes be a disadvantage. They are fighting machines, and aerodynamically they might be not as perfect as airplanes designed for transport rather than military purposes. In other words, we would sacrifice certain aerodynamics for military purposes.

Senator MURRAY. Your plants are located at San Diego, are they not?

Mr. WOODHEAD. They are located at 13 different points throughout the United States.

Senator MURRAY. The large plant?

Mr. WOODHEAD. The two largest plants are in San Diego and Fort Worth.

Senator MURRAY. If your war contracts should be suddenly terminated, what effect would that have on San Diego?

Mr. WOODHEAD. If they were all terminated immediately that would have a disastrous effect on San Diego, because I believe, either through our own plant or through our subcontractors, we employ probably 50 percent of the employees in San Diego.

Senator MURRAY. Have the people of San Diego given any thought to that situation?

Mr. WOODHEAD. They have given a great deal of thought to it. As a matter of fact, our local chamber of commerce, with the cooperation of the local aircraft companies, has sent out a questionnaire to all aircraft workers asking a number of very pertinent questions. First of all, they ask what has been their experience, what are their qualifications, and where did they come from, what are they going to do at the termination of hostilities, do they intend to remain in San Diego, or is it their idea to return to their own home.

We will have the results of that survey shortly, and I will be glad to send them to you, sir.

Senator MURRAY. Your corporation is planning also the continued operation of those plants at a very greatly curtailed degree?

Mr. WOODHEAD. That is right.

Senator MURRAY. The great majority of the workers there will be required to leave San Diego?

Mr. WOODHEAD. Of course, it is rather difficult to arrive at a definite figure. We have certain opinions as to what that may be—20 percent or 30 percent. Of course, probably 80 percent of our employees are from outside of San Diego.

Senator MURRAY. So at any rate, your organization has cooperated with the local community in studying that situation?

Mr. WOODHEAD. Very definitely. I think that is true of pretty nearly the whole industry.

Senator MURRAY. In your statement you say that you are in favor of unemployment compensation. What is your position as to whether or not the Government should allow manufacturers to charge dismissal wage as a cost of production?

Mr. WOODHEAD. Well, we are heartily in favor of all workers being adequately taken care of when their jobs have ended and during the period when they are seeking new employment.

A great many of the aircraft workers have taken war jobs for patriotic motives alone, and will make no attempt to find work at the end of the war. In other words, there are a great number of employees who are normally unemployable, but who, on account of the shortage of manpower, have come into the industry during this period and would immediately leave thereafter.

We recommend a national policy which would permit the orderly termination and encouragement of civilian production, thus creating

new job opportunities as the war jobs decline. That, we believe, is very pertinent. We believe that all workers should be given unemployment compensation as soon as their jobs end, and that the procedure should be set up so there will be no difficulty for any worker in getting his unemployment payments promptly and conveniently.

In addition, the George-Murray bill provides for transportation to be paid to the worker to his former place of residence or to his new employment. It is our opinion that the provisions of the George-Murray bill covering unemployment benefits and transportation make severance pay unnecessary.

Senator MURRAY. In your statement, I understood you to make the statement that in the curtailment or cancelation of contracts for aircraft production, that the curtailment should first be made with reference to automobile manufacturing concerns that have not been previously in aircraft manufacturing.

Mr. WOODHEAD. That is true, sir.

Senator MURRAY. What is the basis of that statement? You feel, I suppose, that they do not intend to continue in aircraft manufacture, and therefore when it becomes necessary to curtail or cut-back contracts, that the cut-back should be made on the concerns that are not strictly aircraft manufacturers.

Mr. WOODHEAD. That is right, sir.

In the first place, we feel that that will not be a very hard proposition on them. They came into this industry temporarily and have done a splendid job. There is no question about that. They have got a tremendous pent-up demand for their product, which has been completely out of the market.

We believe, not only from the standpoint of the automobile manufacturers, but from the country at large, that they should be permitted, as soon as they can without interfering with the war effort to go back to the manufacture of automobiles.

By doing that, by taking them out of the picture first, it will also soften the blow to quite an appreciable extent for the aircraft manufacturers who only have aircraft to build after this period is over.

Senator MURRAY. Do you think it would be helpful if the Government started at once to make a full examination of the possibility of subdividing some of the large aircraft plants for lease or sale so that they may be occupied by other smaller industries?

Mr. WOODHEAD. Yes; subject, of course, to the condition that we advocate in our set-up, that the aircraft manufacturers themselves should be given the first choice.

Senator MURRAY. You should be given an opportunity to lease the plant, and if you could operate them successfully you should be given a prior right to use the plant?

Mr. WOODHEAD. Yes; we also feel, however, that at least a goodly number of these plants should definitely be kept as stand-by plants and maintained, so that should the demand arise, they can be immediately thrown over into aircraft production again.

Senator MURRAY. To the ordinary observer, looking at those plants, it would seem impossible for them to be used by any other industry. Certainly the aircraft industry would not be able to use them completely.

Mr. WOODHEAD. You are right.

Senator MURRAY. So that if, even under your plan, you were to take lease of them, you would be in a position to sublease, I suppose, to smaller concerns that wanted to utilize parts of the plant?

Mr. WOODHEAD. Yes, sir, should the demand arise. Of course, the plants have been built specifically for aircraft production. Now, while in the case of smaller aircraft it may not be so bad, in the case of the extremely large aircraft, the type of plant would be very uneconomical to operate for most industries. That is on account of the spans and the size of the plant.

Senator MURRAY. And there are no small industries, at least not very many small industries, in that immediate area that would need that space?

Mr. WOODHEAD. That is right. They would go broke trying to manufacture in there.

Senator MURRAY. Of course, in some sections of the country, I assume that if there were certain industries that would be able to take space in some of those, that might be done.

Mr. WOODHEAD. That is right. It is one of those things, sir, on which a pat answer cannot be given. The localities would have to decide the feasibility of doing just exactly that.

Senator MURRAY. And the surrounding conditions?

Mr. WOODHEAD. That is right.

Senator MURRAY. The Harvard University study of surplus aircraft, to which you have referred, makes a statement of policy, which reads:

> The sooner surplus planes and components are made available to domestic and foreign markets during the latter days and after the war, the more completely will the desired effect be achieved. The immediate use commercially of surplus equipment, before new and improved models have become generally available, will tend to act as an incentive to technical development, and not a drag in broadening the demand for improved equipment that will better enable the United States to meet foreign competition for export markets, and the sooner sales are made, the greater the dollar return to the Government is likely to be.

Do you agree with that approach?

Mr. WOODHEAD. Yes, sir. We endorse that in our statement. We believe that the pursuance of that policy will facilitate and encourage flying.

Senator MURRAY. Well, I thank you very much for your very exhaustive statement. I think you have covered the situation completely.

Does Mr. Geuting wish to make a statement?

Mr. GEUTING. Yes.

STATEMENT OF JOSEPH T. GEUTING, CHAIRMAN OF THE PERSONAL AIRCRAFT COUNCIL, AERONAUTICAL CHAMBER OF COMMERCE OF AMERICA, AND VICE PRESIDENT OF GENERAL AIRCRAFT CORPORATION

Mr. GEUTING. Senator Murray and members of the War Contracts Subcommittee of the Military Affairs Committee of the Senate of the United States, the purpose of my testimony today is to present the role of the personal aircraft in post-war readjustment.

In the interest of time, I am going to briefly highlight the portions of my testimony which are already a part of the record.

Question 6 of the group of questions presented to the Aeronautical Chamber of Commerce of America, inquires as to "What are the important steps that the Government and industry can take now to promote the rapid development of civilian aircraft production."

It has already been stated by Mr. Woodhead that the Government should now permit and encourage aircraft companies to develop their thoughts and plans for civilian aircraft so that all opportunities for post-war employment may be prepared for in advance and so that production and employment may start promptly when the war ends.

The Government, too, should take steps now to encourage civilian aircraft production by creating an atmosphere healthy to the growth of a large personal aircraft industry.

If the public is to reap the benefits which personal flying makes possible, a new viewpoint must be taken by the law and the administrative agencies of the Government.

In the past, personal or private flying has suffered from the handicap that the purpose for which private flights were made was not important—not by comparison with flights for the national defense—flights carrying mail, flights carrying passengers for hire, and flights tending to promote the art of aeronautics. Yet, it may well prove to be the case, gentlemen, that the airplane will develop a most important role as a private conveyance of the ordinary citizen, similar in social and economic importance to the automobile, serving to raise the people's standard of living, and make their lives fuller and their pursuit of happiness more effective. The automobile did just that. It created millions of jobs. It made possible thousands of business opportunities which serve to increase the wealth and prosperity of communities all over the Nation. It drew people closer together and made all parts of the country easier of access to every citizen. The personal aircraft can do even more than this.

The one big factor, which will largely determine whether manufacture and sale of the personal aircraft reaches mass marketing proportions, with all the attendant benefits to the economic and social life of the Nation, is the question of utility. People simply will not buy anything in great quantity which does not serve some really useful purpose in their lives.

It is just and reasonable to expect that the aviation industry will provide the best quality personal aircraft at the most reasonable price. Competition among ourselves in our efforts to give the customer only the very best personal aircraft will bring this to pass. There remain, then, two main problems for solution in order that personal aircraft have that utility which will make volume production possible.

The first of these is the great need for landing facilities. For unless countless places upon which to land and take off in personal aircraft exist, it can have no real utility as a means of private transportation.

The second, I have already stated as a responsibility of the Government, is that of creating both by law and the administration of law, an atmosphere healthy to the development of personal flight.

Senator MURRAY. How long has this personal aircraft idea been developed; for how many years has that idea been developed?

Mr. GEUTING. Well, personal flying started, I should say, with the beginning of the aircraft industry. Flying started to develop

when the Wright brothers first flew, and long before that as men experimented.

Senator MURRAY. And there was considerable personal flying, then, long before the war?

Mr. GEUTING. No; I would not say that there was considerable.

Senator MURRAY. There was some, I suppose.

Mr. GEUTING. Some; yes, sir.

Senator MURRAY. It depends, as you say, upon the development of landing places to increase the personal flying.

Mr. GEUTING. That is entirely correct.

Senator MURRAY. I know some business concerns out West that were using planes to carry on their business enterprise within my State, in Montana, maybe 20 years ago.

Mr. GEUTING. In the West in particular, where distances between communities are great, personal flying has been a popular means of transportation.

Senator MURRAY. Is that also for the transportation of heavy machinery?

Mr. GEUTING. No; we define personal aircraft as aircraft engaged in nonscheduled, nonmilitary use, and I should say for personal transportation, whether for business or for pleasure.

Senator MURRAY. Not for commercial?

Mr. GEUTING. Not commercial or transportation for hire in any way.

Senator MURRAY. Don't you anticipate that transportation of heavy materials will be very considerably carried on after the war?

Mr. GEUTING. Well, the airplane has limitations which would make it not altogether satisfactory as an economical means of carrying heavy or bulky materials, except for speed or for some peculiar circumstance making it desirable.

Senator MURRAY. I understand that in the northwest of Canada they were used to a considerable degree in transporting heavy machinery to isolated mining camps.

Mr. GEUTING. That is correct; yes.

Senator MURRAY. Proceed.

Mr. GEUTING. The first of these problems, that of obtaining a suitable number of landing facilities, the industry is trying to solve through its own action. It is not asking for any Federal funds for its personal aircraft program. I should like to tell you briefly of this program as it is important to an over-all understanding of the role which personal aircraft can play in post-war adjustment.

Landing facilities are like the telephone, in that one telephone has no value, two very little, but as we have come to have thousands of telephones, the telephone has become a great utility to our everyday lives. It is estimated that there are now about 2,500 landing fields. The progressive State of New York, for example, has only about 122. We need many thousands. Every community, no matter how small, should have one or more.

At the request of the Personal Aircraft Council of the Aeronautical Chamber of Commerce of America, the Civil Aeronautics Administration has granted semiofficial approval to some new terminology which is calculated to more properly describe and connote the sort of landing facilities which are needed to encourage personal flying. These

are airparks, flightstops, and air harbors, and should not be confused with the word "airport." An airport has come to mean a landing facility costing many thousands and even many millions of dollars, and which is principally used for military and transport aircraft.

In other words, the word "airport" has come to mean something large, expensive and complex—a Grand Central Station, so to speak.

An air park may be defined as a landing facility suitable for non-scheduled or personal flying. It need not be large—runways 2,000 by 300 feet will prove to be adequate in most cases.

Air parks, in order to provide the maximum utility and practicability, should be built within the confines of the community, adjacent to the business district, the town square, the market places, and the residential areas. In building air parks, there need be no plan for future expansion, as is the case in most airport building; when an air park becomes crowded, additional air parks should be placed in operation.

Air parks are felt to be a community responsibility and should be built with local funds. Air parks are community responsibilities in the same sense as are roads and streets. Air parks are needed, many thousands of them.

Flight stops may be described as intermediate landing facilities lying between communities and adjacent to the highways. We have had discussions with State and county planning groups which indicate that the building and maintenance of flight stops might well be projects for State and county highway departments.

An air harbor is just what the name describes, a landing facility for float aircraft. Air harbors should be provided wherever there are quiet bodies of water adjacent to a community.

Manufacturers cannot hope to find a market for anything they create unless there is a definite use for it. As an example, the automotive industry is cited. The country today is in much the same position "air-wise" as it was from an automotive standpoint in 1913 to 1914, when the automobile was a new thing. Hundreds of thousands of potential customers held off until the country built good roads.

It is the belief of the aircraft industry that personal flying is entering a new era, but that unless landing facilities are planned promptly, an important part of the foundation for great aviation advancement will not be ready at the end of the war and there will be fewer jobs for the thousands who might have been employed in building the facilities, fewer jobs for those thousands who might be employed in building the personal aircraft, and the thousands who might be employed to service and maintain these aircraft.

This first aspect of the problem of developing a utility, the industry is undertaking in a great program of community education. We commend it to your attention for encouragement and support.

The second aspect of this utility problem, that of creating an atmosphere healthy to the growth of the personal aircraft industry, is a responsibility of the Government.

Civil air regulations are a deterrent to volume production of aircraft. Since 1926, when the Bureau of Air Commerce began functioning, there has been a constant increase in restrictive regulation as to pilot qualifications and the flying and maintenance of aircraft. Many pre-war personal pilots laid their discouragement to such restrictions in abandoning flying.

The industry feels that the regulation of personal aircraft and the personal pilot has grown through the years to the point of where present regulations impose onerous burdens which hamper the public right to fly, and impose additional and unnecessary costs upon the flying public.

With such conditions existing, it is clear that potential aviation purchasers are discouraged rather than encouraged, thus narrowing the post-war market and helping to preclude the possibility of volume production and busy factories.

It is suggested, therefore, that insofar as the personal aircraft and the piloting thereof is concerned, it be sorted out from other kinds of aircraft and flight, and that the mature of these operations be considered in an Air Commerce Act written to cover them alone.

More detailed suggestions are included in written testimony filed with the committee. Whatever the written detailed suggestions, however, it is apparent that a sane and sensible relaxation of regulation must be accomplished if we are to welcome anything which approximates the air age insofar as personal flying is concerned.

The personal flyer has been lost in the shuffle and he must be given the right to fly, which in many ways has been denied him, and be encouraged to fly.

These are things, gentlemen, which must be done if personal aviation is to assume the important place it can hold in air power and our post-war national economy.

Senator MURRAY. The development of personal aviation theory would mean that you would have to develop some very low priced machines, would it not?

Mr. GEUTING. The industry is prepared to do that.

Senator MURRAY. And it would also depend upon the economic conditions of the country as a whole. It would require, would it not, full employment in the country, a standardized economy in order to develop that to any great degree?

Mr. GEUTING. Well, the prosperity of the country would naturally tend to encourage further growth of the industry, but conversely, if the industry grows, it can add to the prosperity of the country.

Senator MURRAY. Just the same as pleasure cars have that place.

Mr. GEUTING. That is the reason we have pointed out the social-economic benefits which the automobile has brought, and which, we think, the personal aircraft can bring.

Senator MURRAY. Thank you very much for your statement. It covers the field very thoroughly.

Mr. Ward.

STATEMENT OF J. CARLTON WARD, Jr., MEMBER OF THE BOARD OF GOVERNORS, AERONAUTICAL CHAMBER OF COMMERCE OF AMERICA, AND PRESIDENT, FAIRCHILD ENGINE & AIRPLANE CORPORATION

Mr. WARD. Mr. Chairman, my role has to do with the technological phases of development, and a general summary of our policy.

The committee's question is: What plans should be made for a post-war national defense program for the aircraft industry?

a. Through research and development?

b. Through stand-by capacity?

c. Through other methods?

Technical development is the key to American air power, present and future. In our national interest, what are the broad facts in this particular, and what should be our country's policy?

History shows us that many great inventions in the past have been developed and perfected by various nations, to the detriment at times of the nation that originally produced the fundamental development or conception. Thus, America produced the first flying airplane in 1905, but in World War I it was compelled to fight in airplanes produced by its Allies, and for years the original American invention of the first flying airplane has rested in a British museum. Similarly, the principles of radar were first announced to the world in the United States as early as 1922 by two Naval scientists in the laboratory at Anacostia, D. C. Yet radar was developed primarily by Sir Watson Watts in Britain and handed back to us after we became her fighting ally, and after we had been given time to prepare ourselves for the present struggle with the time purchased by her effort.

It is interesting to know that Sir Watson Watts was knighted for the work which he did in that preparatory effort. The two naval scientists are known only to a few.

Similarly, the Navy, in the spring of 1918, launched a successful flying bomb at Bellport, L. I., in cooperation with the Sperry Corporation, carrying 1,000 pounds of TNT with a 400-mile range. It had many features of the present German robot bomb. I would like to submit this photograph to you of America's first robot bomb.

Senator MURRAY. That was published in a magazine recently, wasn't it?

Mr. WARD. Yes, sir; it was in the New York Times.

At the same time, Charles Kettering and his associates began the development of radio-controlled flying missiles which they believed could assist in preventing future wars. It was left to the Germans, a quarter of a century later, to put it into their own concept of total war. Such instances can be multiplied.

At the expiration of World War I, France emerged as the leading air power in the world, with more airplanes, more facilities and more technicians than could then be found in any other country. From that date on she declined steadily, not only in relation to other powers, but also in an absolute degree. From the outside it has appeared that France rested on her laurels. Being a thrifty nation, she seemed to feel that the possession of a quantity of airplanes met the needs of the situation. Subsequently her industry became a political football and attempts were made to nationalize it under a socialist government. That was as late as 1939. And so, as World War II approached, France found herself with politically dominated facilities which her government, in the throes of war, admitted were inefficient and wasteful.

I might interject here that at that time I was head of a mission to the French Government to promote production, and the first job to which we were assigned had to do with their worst headache, the nationalized Lorraine-Detrich engine factory. Production standards were lower in the nationalized industry.

Senator MURRAY. The French seemed to be wholly oblivious of what was going on in Germany at the time.

Mr. WARD. As a matter of fact, the informed people were not, but the then government was entirely a labor minded government, interested primarily in domestic, social and economic reform. There was an excellent article written in 1942 by an American who lived through that period in France, which I would be glad to submit for the record if the point is sufficiently interesting. It carefully sets forth those factors that undermined France's effort in preparation for the war.

Senator MURRAY. I would be glad to see the article. I cannot understand how any section of the French people would want to prevent France from developing its air power in view of what was going on in Germany. That is to say, knowingly to let that happen. I would like to see your article.

Mr. WARD. It is always well to bring those points home in this way, I think: We, in this country, knew what Germany was doing. As a matter of fact, when I was on duty in France in May of 1940, I was shown a plan of Hitler's for invading the United States, and so reported it on my return. But even very few of my closest friends felt that that was any serious threat.

Politically, the situation in France and America at that time was not too far apart, and I think it was Prime Minister Baldwin who, when he resigned his leadership of the Conservative Party in Britain and was accused of not having rearmed England, made a significant statement to the effect that, if he had attempted to rearm England, he would have been removed from power. Some of his own Conservative Party members said, "For shame that you should set yourself above the good of your nation." To which he replied: "Had I been removed from power, the Labor Party would have taken control and those steps for which we were able to assume political support would have been eliminated."

Now, that is a fairly accurate summary of the British-French-American rearmament situation politically prior to war.

Senator MURRAY. I would like to pursue my study of that situation. It seems startling to me to hear a statement of that kind. Of course, in this country I thoroughly understand that we felt that we were so isolated over here that we did not have to pay much attention to what was going on in Europe, and that at any rate it was no concern of ours. But it would seem to me that the nations so close at hand, every citizen in those nations, would be greatly concerned about what was going on in Germany. I cannot understand how anyone could attempt to blame it on any one section of the people.

Mr. WARD. The answer that was given to us when we raised that same question was that the French people had built the Maginot line, the most expensive single military work, they thought, in history.

Senator MURRAY. They had provided for their complete defense, and they sat down and took it easy.

Mr. WARD. France said, "We feel that our Maginot line is as complete a defense as your Atlantic Ocean." Neither were right, as history has shown.

The lessons to be learned from French experience are clear. They are:

(1) Possession of the most airplanes at a given moment does not permit the relaxation of continuing development nor the successive production of improved models.

(2) Private industry, with its competitive aspect, surpasses to a marked degree the performance of Government-owned facilities.

(3) Merely to be confronted with a national emergency does not solve the problem and, in the instance of World War II, France was not given time enough to work herself out of her inferior position.

Before turning to America's position, it might be well to examine that of Germany. Germany is popularly regarded as a nation of vast technical resources and possessed of ample skilled labor and engineering talent. Even under Hitler, her factories operated under private management, but with governmental direction as to basic policy and, in many instances, government participation in the ownership. I believe the government owned 50 percent of the great Junkers Works, but, in spite of that ownership, permitted the operations to be carried on by private management. Being a totalitarian state, the basic policies were laid down for the various manufacturers by the government. Germany had started her preparations, in an active sense, in 1933 for World War II. Ample facilities and money had been provided by the government for production and for research and development. While a smaller country than our own, her appropriations for aircraft production were tremendous as compared with ours; under her rearmament program, her funds for research and development were many times those available here in our own country.

The Americans who inspected the D. V. L. laboratories—and they were many, because the Germans at that time were free in showing them to us—all brought back to us a report on the tremendous facilities that the totalitarian government had provided for this one job of getting the most and best airplanes.

As a result, there was produced the greatest quantity of then modern aircraft that the world had ever seen when World War II began. However, there were near fatal mistakes made in the German preparations for war in the air that stemmed from over-all powerful governmental direction. These mistakes were:

(1) Her assumption that airplane models should be frozen in order to produce in quantities, as soon as a satisfactory design had been evolved (this produced static designs of airplanes, modern at the start which, in the early stages of the war, were numerically superior to those of her enemies but which, as time went on, were inferior technically to the rapidly modified British designs).

(2) Her airplanes were designed essentially for ground cooperation, and were considered by the Germans themselves as primarily offensive weapons. Hence, they were weak on the defense against enemy aircraft.

Senator MURRAY. Of course, they anticipated that it was going to be a very short war and that it would be over before any new designs would be developed.

Mr. WARD. During the blitzkreig, yes.

Thus, totalitarian direction produced basic errors in policy which resulted in products which proved inferior in over-all competition to the planes made under the relatively free enterprise system between competitive makers in Britain and, later, in America. Superiority is not a static thing—it is a dynamic thing.

In Britain, active steps toward rearmament in the air began in 1938 and the Government laid down a very sound approach to over-all British production, with dispersal of manufacturing units and with

competitive engineering designs. In this atmosphere, the now indispensable Mosquito was developed by a private aircraft firm, independent of the direction of the Ministry of Aircraft Production. Even more important, when Britain had to meet the threat of German bombing, she was ready with radar locators developed in secret, which permitted 700 British fighters to stave off attacks by as many as 2,400 enemy aircraft in the air, instead of being wiped out on the ground as had already been the fate of France, Poland, and Germany's other enemies. The radar locators, plus the efficient British fighter designs and their superior armament, took such a heavy toll of the Luftwaffe that it became an uneconomical form of war and was abandoned. This happened in spite of the high prediction Germany had made of subduing England from the air, thus hoping to avoid the risks of a sea-borne invasion for which she had not equipped her Navy. By having in use at that critical time the fruits of engineering development, Britain saved herself and perhaps the world from Nazi domination.

And what of America? With all of these lessons before us, we had allowed ourselves to live on a starvation diet for development, even relative to the appropriations for development of such a second rate power as Italy.

I believe at that time it was known that Italy's appropriations for the city of Guidonia, an entire city founded for the development of aircraft, was something on the order of two and a half times our equivalent appropriations in the United States for our own program.

At that time we had an undernourished Government facility at N. A. C. A., insufficient Army and Navy evaluation laboratories, and a lack of money for industry's development contracts.

Mr. Wilson has just spoken at some length on that question, and I think he and I were here before the Senate in the pre-war period testifying to the inadequacy of the Army and Navy development contract awards. That policy held in the United States, as I recall it, until about 1939.

There has been ample testimony before the Congress on the unrealistic procurement policies of the Government with respect to aircraft development, extending through the late 1930's.

Faced with a certain European war, it still took first French and then, nearly a year later, British money to underwrite sufficient production for American aircraft factories so that the industry was able to accumulate personnel and facilities for the start on its subsequent expansion program.

About that time, early in 1939, the Pratt & Whitney aircraft engine facilities were faced with a lay-off of approximately one-fifth of their total skilled employees, with war definitely just over the horizon. It was the French purchases which put those employees back to work, added to them, and formed the start for the program Mr. Wilson referred to.

On February 20, 1939, General Arnold addressed the National Aviation Forum, stating that the Air Corps' goal was to obtain 5,500 planes before July 1941. In April 1939 he appeared before Congress to explain his proposed program. The House cut this program for 5,500 units to 59 units and the Senate provided funds for 375 planes. It was not until April 1940, after the fall of Norway, with the world aflame, that funds were made available for this original program

formulated a year previously. This program then represented a mere fraction of Germany's air strength.

Senator MURRAY. That was not the result of any mere neglect; it was a result of a feeling that that was to be the policy of this country; that we should not develop planes or armaments because it would take us into war; and eventually it would involve us in the war.

Mr. WARD. In that connection, it is interesting to think back to the time of Woodrow Wilson and the unpreparedness parade in New York City only 2 or 3 months before we were plunged into World War I.

We, in our presentation here, think of Congress merely as the reflection of political sentiment of the United States, and not as an independent agency.

What we are trying to point out is that through lack of education in the importance of understanding technological developments, this country, in the face of world unrest, failed to recognize that one cannot summon technology overnight and secure immediate results.

Again, to go back to Mr. Wilson's opening remarks, if it had not been for the successful battle that England staged, and if Hitler had put into effect the plan we were shown in France in 1940, we would have been attacked through Mexico with an armored German force when we had no tanks, and no effective air force. Many people say that would not have been possible. Nevertheless, those were the plans. To have been in Europe and to have seen the things that were supposed not to be possible being done from week to week, as some of us so saw Germany doing it in 1940, definitely meant to us that our American home public was too remote to have appreciated the factors involved in real preparation, and that Congress was truly representing that sentiment.

Senator MURRAY. I understand that in the law there is a maxim sometimes referred to, that the impossible sometimes happens.

Mr. WARD. I think one of the excellent examples of that is the fact that France had a military axiom which started at the time of Napoleon, to the effect that France would never be attacked through the Forest of Ardennes. It was precisely by that route that the armed forces of Hitler broke through while exercising a feint on the low countries.

The remark was made in France practically as you have made it here.

The truth of the matter is that America had become a second-rate power in the air, except for the unsurpassed job being done by American transports in civil aviation and in the field of private flying. It was in this condition that we faced a certain world holocaust of war.

Perhaps that needs a little explanation. We probably had more private aircraft at that time than any nation in the world. We had the best transports, but our fighting planes, as was shown, were not comparable to the best product of our potential enemies. We had drifted into a second-rate place because there had been provided insufficient funds for our military services to match the degree of development carried on by the totalitarian countries.

There is no need for recounting the industrial and technical miracles in the ensuing period that have been wrought with the intelligent cooperation of the armed services. These have brought us where we are today. However, the lesson of France should show us clearly

that we cannot stay where we now are without a realistic consideration of the factors that have brought us here. These must be evaluated and made effective if we are to remain a first-rate air power.

For instance, it is not known generally that the Flying Fortress, one of the world's greatest fighting machines, first began its development in 1934. It had required an expenditure of over 4,000,000 engineering man-hours between 1934 and 1942—a period of 8 years—to bring it to the high state of efficiency as a fighting machine that was necessary to start the unprecedented operation of daylight precision bombing against heavily defended Europe.

I have received a telegram from the vice president and chief engineer of the Boeing Aircraft Co., that I would like to read:

> The Boeing model 299 was conceived in 1934 and first flown in the summer of 1935. It was the first of the four-engined, long range, heavy bombardment airplanes. In a nonstop flight from Seattle to Dayton in 1935, the Fortress prototype broke all existing records for heavy aircraft. In other words, the basic design was good. Nevertheless, between the prototype and the current model, the B–17G, there has been an enormous expenditure of engineering man-hours in redesign, development, and research. The history is revealing. Altogether, in the YB–17 series, 120,860 engineering man-hours were expended. The preponderance of this time was spent in perfecting the turbo-supercharger installations, giving the bomber the ability to perform at high altitudes. This was pioneering of a high order. It required time to perfect. An additional 268,478 engineering man-hours were invested in the B–17B (first production series) smoothing out the "bugs," improving over-all performance. In the B–17C and D series, 263,368 engineering man-hours were required to improve the armament, install more powerful engines, and build in self-sealing fuel tanks and increased armor.

I would like to pause there a moment, to point out that none of our airplanes that started this war were either armored properly or had self-sealing fuel tanks. To go back and quote:

> These were the models which first saw combat action both with the British over Europe, and with the United States Army Air Forces in the South Pacific. Boeing engineers, in cooperation with Army Air Forces experts, were quick to anticipate additional requirements in the Fortress to provide for adequate protection from the rear, and a more stable bombing platform. At the time war was declared on Japan in 1941, B–17E's had already been made ready, at a cost of 344,778 engineering man-hours, with the new dorsal fin and enlarged stabilizers for better stability, and the lethal tail turret, packing twin .50 caliber guns. The upper and lower power gun turrets were also added at this time, as was the automatic flight control equipment which handed over to the bombardier the control of the aircraft during the actual bombing run. In the F and G series, many detail improvements were incorporated, costing a staggering total of 3,038,039 engineering man-hours. In fact, changes dictated by technological advance and combat experience were engineerd at a rate of three or more a day. Total changes for the B–17E, F, and G series to date—2,036. The total number of engineering hours on the entire series is as of June 1, 4,172,875.
>
> The above information does not include any manufacturing or flight-testing information.

I think that provides a very excellent summary of what continued technological development means in our industry.

The Liberator, an equally successful heavy bomber, started in January 1939 and, having available the service experience of the Fortress, became a potent fighting machine shortly thereafter. The medium bombers grew out of an Army sponsored competition about 1938 and were largely developed by French and British purchases before our entry into the war. Even under most ideal conditions, an airplane does not become a good, service-tested machine in under 2 to 3 years. As everyone familiar with the war effort knows, airplanes are constantly being modified on the production lines. The P–40,

an early type of American World War II fighter, has run through its model series of major modifications clear up to the letter "Q", indicating the necessity for its continued development.

There have been no new aviation engines brought out in service in this war that were not started before the European war.

For example, the present power plant for the new Superfortress and the Navy's great flying boat, the *Mars*—the Wright 3350 engine—was begun in 1936 and is only now becoming an accepted, service-tested engine, all at a cost of something more than $13,000,000. In the liquid-cooled aviation engine field, the Allison was started in 1930 and is still undergoing development into higher powers.

In the important field of accessories, the Sperry automatic pilot was first recognized internationally in 1913. From then up to 1932 the development had cost an estimated $1,000,000. Not until 1932 was the first commercial order for 42 received by Sperry. In 1935, it was not yet considered of value as a military development. That is a period of 22 years from the first accepted demonstrated model.

Thus it can be shown that literally all of the American air fighting equipment now in action had its origin in the pre-war period. Therefore, it is obvious that a nation cannot have time to arm in the air when confronted with a major international crisis.

It so happens that Army and Navy appropriations for the most part merge development and production funds. Promptly at the expiration of the active fighting period in this war, there will undoubtedly be brought to bear tremendous political pressure for economy—and it is only right that production requirements will be sharply curtailed. Unless provisions are specifically worked out at this time, whereby development funds will not fall a victim to the sudden post-war demand for economy, they will inevitably suffer the same fate as the funds for wartime production.

A 5-year engine or airplane development, cut off after 2 or 3 years of development work, will probably never bear fruit. For one reason, because the technicians who are the creators of such complex mechanisms will look for more secure positions in the post-war economy. Should there later be an effort to complete the development, it will be found impossible to do so. This will be true even assuming that there are no new technical developments in the interim to modify the original conception in such a way that it would be better economy to start the development anew. Thus for armament, radar, instruments, and all the technical equipment of a modern airplane.

Unless the principles of air power as outlined here today are accepted and then implemented by a wise policy for continued development, our country cannot be expected to hold its position in world affairs.

Commercial designs will, under the American system, be best developed as in the past, by wise regulations of the Civil Aeronautics Authority, wise policies of the Civil Aeronautics Board, and the enterprise of the commercial air lines and the private owner demand. This system produced the best airplanes for world commerce and for personal flying in the pre-war period and, in a free economy, will continue to do so in the post-war period.

Summarily, it should be brought out that there is a legitimate field for Government activity and for private industry, in which each is by nature best adapted for its task.

(1) Fundamental research not applicable to specific projects can best be fostered and accomplished in Government laboratories such as those at the N. A. C. A.

(2) Special application of research to particular designs or projects is the legitimate functon of private industry with all of its competitive stimulus. This will avoid the mistake made by Germany, by providing a diversification of solutions not readily possible under a totalitarian or Government-dominated system.

(3) Evaluation of the results of private industry developments can best be accomplished impartially by the Army and the Navy in their respective facilities, such as Wright Field, Eglin Field, the Naval Aircraft Factory, and other Navy evaluation centers.

These three vital functions in over-all development should never be in conflict, one with the other, if wisely molded into an over-all policy. This will provide America's answer to the competition of other great powers, if it includes the necessary procurement of service-tested quantities of the new models, produced in sufficient volume for operational and tactical use.

I would like to point out here that it is through that type of practical use that these modifications of the Boeing Fortress came into being. It could not have become an efficient fighting craft merely as an experimental development.

Here are the answers to the committee's questions with respect to planning for a post-war national defense program for the aircraft industry:

A. Through research and development: (1) Present development contracts should not be terminated.

(2) Military research, design, and development should be continued on a constructive basis through competitive private industry.

(3) A production program for the aircraft industry should be maintained to retain its ability to establish production processes and to permit the air forces to become familiar with the handling of such planes. We assume that 20 percent of the number of airplanes in the air forces will be replaced annually. That would give the industry, if it knew the size of the post-war air force, a basis for planning.

(4) New and advanced models of all types of military aircraft required for a balanced air force should be designed and developed. Quality of the product should be the primary factor in placing orders.

The United States would have been a third-rate air power if the present war had been deferred a few years. Totalitarian governments subsidized their aircraft industries heavily. The aircraft manufacturers want no such subsidy, but do suggest a national air power policy which will allow the aircraft industry to maintain leadership in design and preparedness to resume large-scale military production at any time if it should be necessary. In addition, such a policy contemplates an air force maintained at such a level as to assure the Nation of adequate air defense. The above suggestions outline a program for minimum preparedness compatible with full security and one which would permit rapid expansion in time of emergency.

B. Through stand-by capacity: Air power presupposes several elements, among them airplanes, trained personnel, technical staffs, management, and productive capacity. All of these are essential. A strong industry must be maintained with operating productive capacity at least equal to the current needs of the armed services.

Additional capacity, preferably through stand-by plants, should be available and ready as the necessity arises.

Senator MURRAY. That would be a very expensive program to maintain, would it not?

Mr. WARD. That is a very good question, because the problem comes down to this: Our Government is, I believe, spending a total of about $90,000,000,000 a year while carrying on the war. We spent, in the pre-war period, perhaps $1,300,000,000 for the combined Army and Navy. Had we had an adequate Army and Navy before the war, it is a question of doubt whether we would have ever been compelled to fight this war, So it is a question of how much a military insurance policy would be worth.

Senator MURRAY. I was thinking of it in regard to the possible terms of peace. If a real peace is achieved as a result of this war, and these nations that have been the source of wars are held under control, it would not be necessary to maintain such an elaborate program as you have been suggesting here.

Mr. WARD. I think two facts come into this question: One is that it is freely admitted by the international authorities, who have tried to police such conditions as you have outlined, that there is no way of policing it—that a nation can secretly rearm.

Senator MURRAY. I do not see how they could. If Hitler won this war, there would be no possibility of the Allied Nations rearming and undertaking to start another war on him.

Mr. WARD. Because he would have kept effective this big, powerful military force.

Senator MURRAY. He would have controlled all the sources of war making, and it seems to me that at the end of this war there ought to be some way of preventing nations from having access to the materials that make it possible for them to build up these tremendous armaments.

Mr. WARD. Well, I have heard that question answered this way: If Hitler won this war, he would dominate every country. He would run every country.

If we win the war, we hope to let each country run itself.

Now, under the democratic peace, if we win—and we are going to win—we would not take the steps that Hitler would have taken. The only way we can enforce our policy is to have potentially, and in actuality a means of enforcing our peaceful program. That means a powerful military unit, which again comes back to compulsory military training in order to have an army, a navy, and an air force ready. It means the training of flight personnel by reaching down into the school system. It means, in fact and not on paper, having a force strong enough to prevent Germany from doing what it is the plan of the German people to do again.

Senator MURRAY. All of the other nations would be doing likewise.

Mr. WARD. Perhaps.

Senator MURRAY. So then you would have the basis of a race in armaments, and the whole thing all over again, would you not?

Mr. WARD. Perhaps, because the fundamentals of human nature do not change, and nations are nothing but an integration of human nature.

As long as there are going to be predatory nations and nations which aspire to the lands or resources of other nations, there is going to be the grounds for incipient war.

We knew what Hitler was doing. France knew. We were democratic nations. We did not intervene. Neither did England. All were democratic nations.

There is nothing in human nature to change that in post-war peace if we all disarm and one chooses to rearm. This peace has got to take a lesson out of the failure of the last peace. The only lesson that has been proved is: Be strong enough so that the other nation's chances of licking you are so small that it would not want to risk the gamble of going to war.

Senator MURRAY. It seems that until the nations of the world organize, and are prepared to know what is going on in other countries in the way of preparation for war, and undertake to stop it, we are going to see the development of armaments in all the nations of the world again, the same as before.

It seems to me that we would be in a very serious situation. It seems to me that the only way to handle this thing is to have a world collaboration of nations, to prevent any nation from undertaking to arm to such a degree that it will become a menace to other nations, and that could be done.

Mr. WARD. I have heard that question answered this way: In each of our towns and villages in this country, we maintain a police force, and the police force carries revolvers with cartridges in them. Some people say it is wrong to carry a revolver, because you might get mad and shoot somebody. But the whole essence of our own internal government is that there lies a power that will be stronger than the predatory few, whoever they may be.

Nations and people are very similar, it is argued. There are predatory nations. They recognize nothing but the pistol and the holster. If you relax and give the world an unarmed police force, they will do as Hitler and his cohorts did.

Assume that the democratic nations are weak. Assume that their politics are such that they prefer their so-called "fat" life and high standard of living. Assume that Hitler's slogan is, "Butter or guns" and that he chooses guns. So long as such a philosophy is allowed to exist—and there have been nations like that down through recorded history—then a peaceful approach by the democratic nations, all anxious to go about their peaceful ways and not be bothered with policing somebody else far from their shore, will not work.

But if we have a navy and army and air force potentially strong enough, its chances of winning would be removed.

It is suggested that some proportion of existing aircraft plants which are needed for aircraft or other production, be kept available for war production in the event of national emergency. This stand-by capacity could be administered by the aircraft manufacturers on a contract basis. The possibility of using this stand-by capacity for temporary storage of surplus should be investigated.

Now, that point has been introduced to avoid what we did with Muscle Shoals in the last war. We built a very expensive war facility, and then subsequently accomplished nothing with it. It was not even useful as a potential arsenal.

It is our hope that these large shadow plants erected in predominantly agricultural communities where there is a normal use for the citizenry in peaceful pursuits, will be kept as arsenals. They should not be scrapped and they should not be reconverted by the expenditure of public money. Their great spans and high ceilings are not suitable

for making peacetime knick-knacks. If such were attempted, we would either be granting an indirect subsidy to make their use economically possible, or else be throwing good money after bad. In their present condition, these great facilities are highly useful as stand-by arsenals.

All possible methods should be used to train the youth of the country in aircraft and in technical matters. The technical and mechanical skill of the Nation is one of its greatest assets, and this should be maintained at any cost.

All design and engineering data, tooling and production facilities developed as a result of Government orders, shuuld be made available to manufacturers for civilian production in the interest of post-war employment.

The established aircraft manufacturers should be utilized by the armed forces in handling the modification and repair of military aircraft in various locations throughout the world.

Senator MURRAY. I do not think it will be necessary to read the summary. It will be carried as part of the complete statement.

I want to congratulate you on your very dramatic statement here. It is certainly very enlightening to us. It will be very helpful to us in our study. Thank you.

(The summary referred to is as follows:)

In order to keep the peace after winning the war and to promote the general welfare, the United States must have air power. This can be accomplished by—

1. Having an adequate, ready air force composed of superior aircraft and competent personnel.
2. Training our youth to fly and service airplanes.
3. Maintaining air bases essential to security and commerce.
4. Expanding our domestic and foreign air transportation, and personal flying.
5. Maintaining a strong aircraft manufacturing industry, with continuing world leadership in research and development.

With respect to the workers involved in the demobilization of the aircraft industry when victory is won, the industry—

1. Agrees with the principle of adequate unemployment insurance, as an essential to orderly manpower demobilization and reemployment.
2. Believes that the new employer or educational organizations should retrain workers, thereby avoiding retraining for nonexistent jobs.
3. Agrees that transportation of workers to bona fide residences or to new jobs at Government expense is desirable.

The rate of net profits on sales volume in aircraft is the lowest of any industry engaged in war production, amounting to but 1.8 percent in 1943. The entire working capital of the aircraft industry would not equal 1 month's operating costs at present production rates. It, therefore, is obvious that the industry, while eager to do its full share during the conversion period, can be of very little help in assuming financial responsibilities of the manpower demobilization and reemployment process.

Sudden changes in war requirements are necessitating termination of some war contracts. The industry believes that when such occasions arise contracts should be terminated promptly.

There must be full coordination between Army and Navy cut-back programs and between Government agencies and aircraft manufacturers. Thus capacity released by one agency could be used by another and labor resources conserved.

Many factors must be considered in making cut-backs.

(*a*) First cut-backs should be in industries producing aircraft only during the war emergency.

(*b*) Problems of the creator of the original design should have first consideration when cut-backs are contemplated.

(*c*) Other factors which should be weighed are present production status of manufacturers concerned; local manpower situation; over-all costs of the products; manpower utilization; meeting of production schedules; contributions to aviation progress; needs of the aircraft industry to prepare for post-war development and production; obsolete aircraft should be cut back sooner than those of more advanced design.

Notice of cut-backs should be given to manufacturers sufficiently in advance to permit them to complete the production cycle (60 to 120 days).

Subcontractors and vendors should be notified promptly by the prime contractor.

Employees must be notified as soon as revised personnel requirements can be computed.

Cut-backs in the aircraft manufacturing industry should be synchronized with increases in other war production and with the reexpansion of other civilian industries whenever possible.

When the war ends there will be surpluses of aircraft plants, military aircraft, and military air fields. Surplus aircraft factories should, if possible, be sold or leased to the present users. If not feasible, the Government should dispose of them to others. If not needed for aircraft or other production, these factories should be kept, under private management, as stand-by plants.

Disposal of surplus aircraft should be controlled by one central Government agency.

Combat aircraft rendered unsuitable for further use should be scrapped.

Combat aircraft suitable for further use can be sold, leased, or bartered to friendly foreign nations under the control of proper Government agencies.

Overhaul and maintenance of such aircraft should be under the direct supervision of a competent aircraft manufacturer.

Planes useful for scheduled transport operations should be disposed of through limited leases or sale without price discrimination. This must be done judiciously to eliminate the possibility of pressure developing in later years to continue operation of wartime planes.

Small planes with possible nonmilitary uses are divided into two groups. The small observation and liaison planes can be released to any market. Civilian sale of military training planes must be considered in the light of performance characteristics of these aircraft. Such equipment can be released on a wide scale for military training in schools and colleges.

Major components—engines, propellers, and instruments—should be scrapped when surplus military aircraft located abroad are scrapped.

Government-owned airfields not required for military purposes should be made available promptly for commercial and personal flying.

To further the development of civilian aircraft production, the aviation industry should now be allowed to plan types of post-war products and use part of their facilities for this purpose if military needs are met.

Transport air lines should be aided in the development of main and feeder lines through the release of airplanes and increased use of air mail.

Personal aircraft manufacture needs more landing facilities and liberalization of civil air regulations to achieve volume production.

With respect to planning for a post-war national defense program for the aircraft industry the industry believes—

1. Present development contracts should not be terminated.
2. Military research, design, and development should be continued on a constructive basis through competitive private industry.
3. A production program for the aircraft industry should be maintained to retain its ability to establish production processes and to permit the air forces to become familiar with the handling of such planes. We assume that 20 percent of the number of airplanes in the air forces will be replaced annually.
4. New and advanced models of all types of military aircraft required for a balanced air force should be designed and developed. Quality of the product should be the prime factor in placing orders.

The aircraft manufacturers want no subsidy, but do suggest a national air policy which will allow the industry to maintain leadership and design and preparedness to resume large-scale military production at any time if it should be necessary.

It is suggested that some proportion of existing aircraft plants which are not needed for aircraft or other production be kept available for war production in the event of national emergency.

All possible methods should be used to train the youth of the country in aircraft and in technical matters.

The established aircraft manufacturers should be utilized by the armed forces in handling the modification and repair of military aircraft in various locations throughout the world.

Senator MURRAY. Colonel Berliner.

STATEMENT OF COL. HENRY A. BERLINER, CHAIRMAN OF THE BOARD, ENGINEERING AND RESEARCH CORPORATION, RIVERDALE, MD.

Senator MURRAY. Colonel Berliner, will you state your name and present position to the reporter?

Colonel BERLINER. Henry Berliner. I am chairman of the board of the Engineering and Research Corporation.

Senator MURRAY. What has been your training, your experience in this subject of technological research?

Colonel BERLINER. I have been in aviation ever since I got out of school. I was trained and educated to be a mechanical and aeronautical engineer. I have been in aeronautics all my life.

Senator MURRAY. How many years?

Colonel BERLINER. About 25 to 28 years.

Senator MURRAY. Would you describe, in a general way, your company's plans for post-war aircraft production?

Colonel BERLINER. Before the war, we were manufacturing a small commercial airplane for private flying, a private flying airplane, and also we were manufacturing machine tools.

During the war, we have, of course, continued to manufacture machine tools, but our aircraft department has gone over to items for the war.

At the conclusion of the war, we hope to go back to aircraft as rapidly as possible.

Senator MURRAY. Were you manufacturing aircraft before the war?

Colonel BERLINER. Yes, sir.

Senator MURRAY. Were you also operating this Engineering and Research Corporation? Is that a separate corporation?

Colonel BERLINER. No; it is one company doing the two things.

Senator MURRAY. Now, what are the basic problems in the manufacture of personal aircraft?

Colonel BERLINER. Our principal problem will be to go from the manufacture of war items, back to the manufacture of airplanes, and to prevent a time lag as much as possible.

In other words, if the war were to stop right this minute without any notice, we would be 4 to 6 months in getting back into the production of private aircraft.

Senator MURRAY. What plans has your company afoot now for post-war production?

Colonel BERLINER. We would like to tool up for post-war aircraft, and we would like to go beyond that. We would like to manufacture components and parts for aircraft, as long as this would not interfere with our deliveries to the Army and Navy.

Under present conditions, we do not have that permission, and we cannot get the material. Hence, there will be a time lag that I spoke about, which will require a lay-off of probably four-fifths of our employees while that is taking place.

Senator MURRAY. I understand you to mean that you would like to engage in the manufacture of components and parts for civilian airplanes?

Colonel BERLINER. Yes, sir; we would like to make up components so that instead of taking 4 to 6 months, we could commence deliveries within 1 or 2 months.

Senator MURRAY. There would be considerable demand right at this time for components and parts for civilian aircraft?

Colonel BERLINER. No, sir. There is no demand now, but we would be willing to go ahead and do it anyway.

Senator MURRAY. There has not been any production of civilian airplanes recently?

Colonel BERLINGER. No, sir.

Senator MURRAY. Would that not create a demand for parts for existing planes?

Colonel BERLINER. No, sir. These parts that we would like permission to manufacture are parts which will go into completed airplanes. It is simply what we call a pipe line. We want to cover the pipe line so that we can commence assembling the complete airplanes as soon as possible after the termination of hostilities.

Senator MURRAY. And you are interested there because of the fact that it would enable you to make an easy transition to a post-war production?

Colonel BERLINER. Yes.

Senator MURRAY. Do you have any fear of unfair competition from these surplus planes that the Government will dispose of after the war?

Colonel BERLINER. No, sir. We have no fear of that at all, but I would like to say that other companies may have that fear. We had only commenced production on a new model when the war started, and then we ceased production of that model.

Now, other companies have been producing a model during the war and are not ready to produce anything more modern at the end of the war, so whereas, while we have nothing to fear from them, in our opinion there are other companies who might object to it and whose objections might be valid.

Senator MURRAY. Do you think there will be any considerable conversion of war planes to civilian planes after the war?

Colonel BERLINER. Do you mean the companies now building military aircraft might go to civilian?

Senator MURRAY. They might convert a great many of the surplus planes that will be on hand after the war into planes for civilian use. Would that be possible?

Colonel BERLINER. Of course, the only planes that are really suitable in the private plane class would be what we call the grasshopper type, the liaison type of plane, of which there are about three different models made. Most of them, I believe, will be pretty well worn out, and a great many of them will not even be in this country.

I think that the people who build those particular planes could answer that qusetion better than I could.

Personally, we have no fear of them at all.

Senator MURRAY. You do not anticipate that that would create any serious problem for the aircraft manufacturers in the post-war period?

Colonel BERLINER. We feel that those planes are obsolescent, and that new types will be demanded by the public.

Senator MURRAY. Where is your plant located?

Colonel BERLINER. It is in Riverdale, Md., about 8 miles out from Washington on the Baltimore road.

Senator MURRAY. Has your plant been considerably expanded during the war?

Colonel BERLINER. Yes, sir. It is about four or five times the size it was at the beginning of the war.

Senator MURRAY. To what extent do you anticipate that you will be able to continue your plant after the war?

Colonel BERLINER. That is rather a difficult question, because we do not know just what the demand for these planes is going to be. We can give you an estimate. We would estimate that we would have to lay off approximately half of our employees. In other words, we will have a good many more than we had before the war, but only half as many as we have now.

However, I would like to point out that we made a survey of our employees, and found that about one-fifth of the men would leave our employ as soon as the war is over in order to go back to other jobs that are not essential, and that another fifth of our employees, who are women, would leave us because they have no desire to work after the war.

Senator MURRAY. Have you any other observations to make that might be helpful to our committee?

Colonel BERLINER. The question has come up as to what the Government could do to help civilian aviation, personal planes, and it has been answered almost completely, I believe. I do not believe anything has been said about possible Government aid to navigation. It has been said that we require fields, a lot more fields than we now have, but, I believe, in addition to that, we will require either an elaborate marker system, or more radio aids, or both.

I think that would be of a great deal of help in expanding the private plane market.

Senator MURRAY. The airplane industry is pretty well equipped with facilities for developing new ideas and new technological methods?

Colonel BERLINER. Yes, sir.

Senator MURRAY. And do you think the planes that will be turned out after the war can be brought down in price to such an extent that it will be made attractive for personal use?

Colonel BERLINER. I do not anticipate the figure that is given in the committee's report which they say themselves is a "blue sky" figure. Our own estimate is that there will be about 25,000 personal planes built a year, and then possibly that will increase to 50,000 within 2 or 3 years after the war.

We do not foresee any parallel to the automotive industry at this time.

Senator MURRAY. No; I should not think so. It seems inconceivable to me that the air is going to be filled with small personal planes flitting to and fro over the country after the war.

Of course, I can see where they would be very useful in industry, in certain commercial enterprises, for use in business activities, but it does not seem to me they would become numerous for pleasure purposes.

Colonel BERLINER. I would like to stress again that the greatest difficulty that pilots have is finding their way. We feel that it is very easy to teach a person to fly a modern airplane, but that is only a small portion of the work.

Senator MURRAY. Most of the accidents occur as a result of the pilot being unable to find the landing place; is that right?

Colonel BERLINER. Faulty navigation or interpretation of the weather, and things of that sort.

Senator MURRAY. Thank you very much, Colonel Berliner.

This concludes the hearing for today.

On tomorrow, July 11, we will have other witnesses. Mr. Frankensteen, the director of aircraft of the United Automobile Workers, C. I. O.; Harvey Brown, president of the International Association of Machinists, of the A. F. of L., and Thomas Burtch, of the Army Air Force Branch of the Smaller War Plants Corporation. Those three witnesses will testify tomorrow morning at 10:30.

(Whereupon, at 12:55 p. m., the hearing was adjourned until 10:30 a. m., Tuesday, July 11, 1944.)

MOBILIZATION AND DEMOBILIZATION PROBLEMS

TUESDAY, JULY 11, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10:30 a. m. in room 457, Senate Office Building, Senator James E. Murray (chairman) presiding.

Present: Senator Murray and Representative Randolph.

Also present: Charles A. Murray, Bertram M. Gross, and Kurt Borchardt.

Senator MURRAY. The hearing will come to order, please. Is Mr. Robert C. Storment here?

STATEMENT OF ROBERT C. STORMENT, ASSISTANT TO THE INDUSTRIAL RELATIONS DIRECTOR, LOCKHEED AIRCRAFT CORPORATION

Senator MURRAY. Mr. Storment, will you give your full name and the firm you represent to the reporter, please?

Mr. STORMENT. Robert C. Storment, Lockheed Aircraft Corporation.

I appreciate the opportunity to appear before your committee. I want to make it clear that I am appearing in my capacity as a member of the Lockheed organization and not as a representative of the aircraft industry as a whole. My statement constitutes a progress report to your committee on a field of research and planning which is of obviously great importance to industry, labor, and government. That field is demobilization and reemployment of war industry workers and veterans.

Virtually all of the aircraft companies, as well as many other companies in other war production industries, are devoting intensive study to this problem. We at Lockheed do not contend that we see all or even any substantial part of the answers, but we do feel the preliminary results of our research and our planning may be of some interest and assistance to your committee.

In order to achieve efficient, orderly demobilization of our armed forces so that the problem of reemployment of returning veterans will be minimized, it is imperative that a definite policy be established to guide the formulation of demoblization plans. We must not make the same error that was made at the end of World War I, when we followed the practice of demobilizing at the place of debarkation. Likewise, we must avoid the error made after the last war of completing demobilization as quickly as possible.

BASIC PROBLEMS OF DEMOBILIZATION

It is estimated that we will have 11,300,000 in our armed forces at the peak of our war effort in 1944. In the post-war period, we may maintain a force of perhaps two and a half million. On the basis of these estimates we may conclude that, when peace comes, more than eight and a half million persons could be returned to the labor market within a few months time. But this is only one part of the problem. The Bureau of Labor Statistics estimates that over 6,000,000 industrial workers will be demobilized from the war industries immediately after the cessation of hostilities. Thus a total of over fourteen and a half million people could be seeking reemployment during the first few months after the war ends. This total number includes only those in the services and in war industries, not those in indirect war jobs, Government work, and the thousands of other trades that will be affected. Therefore, the problem could be even greater than these large figures indicate.

The magnitude of the demobilization problem may be further illustrated from a recent study by the Post-War Division of the Bureau of Labor Statistics. This study shows that, for the United States as a whole, the number that will be demobilized from the armed forces and from war industries will amount to 32.3 percent of the number gainfully employed in 1940, the highest level of peacetime production and employment that we have ever reached. The solution of the problem, however, cannot be based upon an analysis of the over-all figures for the Nation as a whole.

The individual States vary considerably in the degree to which demobilization will affect them. Since 1940, many States have had great industrial expansion in wartime industrial growth. On the basis of percentage of the total number employed in 1940, the numbers of persons to be demobilized, both military and industrial, range from 19.2 percent in South Dakota to 58.5 percent in Michigan. Washington and California are among the five States whose demobilization problem is most severe. In these two States, the numbers of demobilized persons will represent, respectively, 45.2 percent and 42 percent of the 1940 employment level.

In general, the relative severity of the post-war demobilization problem for each State may be measured by the relationship between the number of demobilized persons and the total number employed in that State in 1940.

However, other factors must also be considered. For example, in some States not only the numbers but the kinds of workers have undergone great change. In many instances, men now in the armed forces moved their wives and families to the neighborhood of shipbuilding or aircraft plants before being drafted. In many other cases, wives and families moved to war production centers after their husbands had been inducted into the armed forces, in order that they might augment their income and assist the war effort by working in a war plant.

The problem of reconversion of the war industries of shipbuilding and aircraft production to peacetime endeavors will be most difficult. Thus, it is not unreasonable to assume that demobilization will present the most severe problems to the Pacific Coast States. Those States that were heavily industrialized before the war can resume production of their peacetime products.

The recently industrialized States will have a greater adjustment to make, for they have no peacetime products to which to return; nor do they have any organization built up for marketing peacetime products. Thus the reemployment of demobilized soldiers and industrial workers during the reconversion period will be more involved and will require more time in those States which have only recently been industrialized. It, therefore, seems advisable to explore all possible ways and means of relieving the prospective unemployment burden that the recently industrialized States will face in the immediate post-war period. The feasibility of developing incentives to encourage people in war production centers to move back to the communities from which they came should be explored by community and Government agencies. Such incentives might be in the form of cash to cover cost of moving back to the State of origin. The United States Employment Service, in cooperation with community agencies, could work out the details for operating and financing a program of this type.

VULNERABLE POSITION OF CALIFORNIA

1. The Los Angeles and San Francisco regions have had greater increases in population than any other metropolitan areas in the country. The increase in population in the Los Angeles area between April 1, 1940, and November 1, 1943, was 378,000. The San Francisco-Oakland area ranked second (in terms of absolute population growth) among metropolitan areas in the country with a population increase of 376,000. The State of California led all other States in the number of net in-migrants in the above period.

2. The expansion of the war industries of shipbuilding and aircraft production in California has been responsible for a large percentage of the migration from other States since 1940. These industries will have the greatest difficulty in reconverting to peacetime products.

3. Men and women in the services who have been quartered in California may wish to return here.

4. In the absence of a decentralized demobilization plan, Los Angeles, San Francisco, and San Diego (as debarkation points) will probably be important demobilization centers.

While California does not wish to discourage new residents, it is believed that employment opportunities during the reconversion period will not be sufficient to meet the needs of the present population. Although this problem may exist in other States, it will cause particular concern in California which has had the greatest expansion in shipbuilding and aircraft production.

SUGGESTED DEMOBILIZATION POLICY

General Hershey has indicated that demobilization will be slow and that men will be released from the armed forces only as rapidly as they can be absorbed elsewhere. The principle voiced by General Hershey appears sound, and a definite blueprint of such a procedure would be extremely helpful in both industry and Government planning.

In the last war, official consideration of plans for the discharge and return of servicemen to civilian life was started only a month before the armistice. There was far too little time for adequate solution of

the problems involved. The military authorities adopted the traditional plan of demobilization by military organizations, because it was the only plan for which regulations and administrative procedures could be quickly developed at so late a date. A plan put into operation now could be perfected by the end of the war on the basis of the experience already gained in returning released servicemen to civilian life. The State in which the demobilized soldier has his "roots" will in most cases be the State in which he registered under the Selective Service Act. As of July 1, 1943, Selective Service reported 22,184,000 registrants who were between 18 and 38 years of age, inclusive. Of these, 8,023,000 were in the armed forces and 1,566,000 in class 1. Approximately 18 of the 22 million in this age group registered before Pearl Harbor. Thus, it can be assumed that less than a fifth of the men now in the armed forces could have registered in a State to which they had moved after December 7, 1941. Therefore, if we send demobilized veterans back to the locality in which they were registered, we will be returning most of them to the regions in which they had pre-war employment. A veteran whose family has moved to another State since Pearl Harbor should be given the privilege of being demobilized in the State in which his family is now domiciled.

In anticipation of the enormous load which will be thrown on the United States Employment Service in the near future, we should take steps to strengthen this organization prior to the actual period of demobilization.

BACKGROUND OF THE PROBLEM

Two major problems in the field of industrial relations post-war planning are: (1) The development of the best qualified personnel for competitive peacetime operation. (2) The reassimilation of employees returning from the armed services.

Practical solutions to both of these problems will be greatly affected by the job plans of our present employees and of our ex-employees on military leave.

To find out what these employees want or plan to do after the war, the Industrial Relations Research Department completed a survey designed to sample these attitudes.

In order to accomplish a wide study of the problem, and to avoid the difficulties of discussing personal motives with employees, Lockheed suggested that other companies be included and that the survey be sent out by the Los Angeles Chamber of Commerce. This was done by the Subcommittee on Survey of Post-War Economic Plans, in conjunction with the Southern California Chapter of the Committee for Economic Development, and the California Governor's Committee on Post-War Planning. Other companies are now completing companion surveys. This report covers information submitted only by Lockheed factory employees. Our data will be pooled with those of other companies to develop a community survey.

As a first step, over 100 selected factory employees were interviewed as a basis for developing a questionnaire and studying employee reactions. Then over 900 of these questionnaires were mailed out to employees in our factories and to ex-employees on military leave in the United States and overseas.

The factory workers were selected on the basis of age, shift, sex, and length of residence in southern California so that we could insure a representative sampling of our total factory work force.

Replies have been received from more than 70 percent of those to whom questionnaires were sent—a large response for a survey of this kind. Both the number and the completeness of the returned replies indicate that the employees were seriously interested in problems of post-war employment and that they were willing to offer their full cooperation.

SUMMARY AND ANALYSIS OF WORKERS' POST-WAR OCCUPATIONAL AIMS

Attitude of present factory employees: (1) Of the male employees, 71 percent expressed their intention to remain with Lockheed, if possible.

(2) Of the female employees, 48 percent expressed their intention to remain with Lockheed.

(3) Although only 18 percent of the male employees have done factory work before the war, 67 percent of the male employees want to do factory work after the war. Most of these people have been laborers, shopkeepers, neighborhood merchants, tradesmen, or farmers.

(4) Although only 3 percent of our women factory employees had done factory work before the war, 42 percent of them want to do factory work after the war. It is of interest to note that domestics and waitresses do not intend to return to that line of work, but workers such as those who were formerly beauty-parlor operators generally plan to return to their former activities.

(5) Of those women who had been housewives, 64 percent intend to return to the home after the war, and many expressed the hope that a serviceman would get their job.

Attitude of ex-employees on military leave (in the United States and overseas).

(1) Of the ex-employees on military leave, 71 percent intend to return to Lockheed, if possible; 26 percent definitely do not plan to return; 3 percent are doubtful.

(2) Of ex-employees on military leave, 82 percent expressed their intention to take advantage of a governmental training or educational program if such a program were geared to their advantage.

(3) Of the ex-employees on military leave, 28 percent are learning a new skill in the services.

SIGNIFICANCE OF THESE ATTITUDES

An application of the foregoing survey percentages to our total personnel shows that if employees were able to follow their own choice, our post-war factory force would include:

(1) 35,000 of our present factory employees.

(2) 11,500 of our former employees now in the armed forces.

(3) A total of 46,500 factory employees in all.

(4) There is no basis on which the Lockheed Co. can anticipate maintaining employment at such a level after the war.

In building our organization, at one time comprised of nearly 100,000 employees, workers were drawn from every State of the Union, and naturally from hundreds of other employers. Why could not a plan of negotiated transfer be inaugurated at this time for the return of these borrowed workers to their original communities and previous employment? Especially if the original employer is one

whose post-war business will satisfy a hungry consumer's market—whose employment rolls will be increased rather than depleted, comes the post-war period. Many employers know what their needs will be, and certainly may have a place for the worker who has so ably supplied our armed forces with the material of war. Our employees know what our problem is—they know their post-war employment with our company is problematical. They are worried. Some are looking now for that post-war job, and the war job is not yet completed. To know that their company and their Government is not only interested in their plight, but is studying the problem of their post-war employment, and doing it now, would strike a most definite response in the form of continued high war production.

We are of the opinion that Government, through such agencies as the War Manpower Commission, the United States Employment Service, and the Veterans' Administration, can do much toward this end.

Just last week the regional director for the War Manpower Commission in the New York area agreed to give our negotiated transfer plan a thorough trial. We are forwarding 50 individual employment records of men whom we originally hired in the New York area for work in our California plants. These employment records are to be submitted to employers in upper New York by area directors of the War Manpower Commission. This trial is strictly an experiment. A pilot plan that, if it works, may well become a part of a procedure designed to minimize the war workers' replacement problem.

Thank you, sir.

Senator MURRAY. I had a number of questions here that I intended to ask you, Mr. Storment, but I believe you have covered the subject so fully in your statement that I do not see any necessity to present any questions to you whatsoever. I know that the relationships between the workers and the management in your plant have been very satisfactory.

Mr. STORMENT. That is true, sir.

Senator MURRAY. How do you account for that? Has the management been friendly and sympathetic to the workers and has met them half way in all their problems?

Mr. STORMENT. I believe that is true, Senator; the management has been fair in all of their dealings. I think we can trace back their ability to be fair to the fact that during our entire hiring program, they were hired on a very carefully selected basis. We tried to get the type of employee who would live up to what we felt was the Lockheed spirit, and we maintained it through our industrial and personal relations with the employees.

Senator MURRAY. It is very gratifying to hear that, especially in a large plant where there are so many thousands of employees, there have been such friendly relations established which worked out so satisfactorily. I am sure your statement is going to be very helpful to us in considering the problems we have on hand, and we are very glad to have had you here this morning.

Mr. STORMENT. Thank you, sir.

Senator MURRAY. Congressman Randolph, of West Virginia, is here this morning and wishes to make a statement at this time. Congressman Randolph.

STATEMENT OF HON. JENNINGS RANDOLPH, A REPRESENTATIVE IN CONGRESS FROM WEST VIRGINIA

Mr. RANDOLPH. Senator Murray and members of the committee. Recalling the testimony of the witness who just left the stand, I should like to have the privilege of saying for the record that during August of 1943, on my own individual responsibility, but thinking especially of my membership upon the House Labor Committee, I visited many aircraft plants throughout this country and especially those located on the west coast. I recall spending a considerable amount of time in the Lockheed Vega plants near Los Angeles, Calif. I studied there the utilization of the manpower and woman power of this country which had been brought into that concentrated area of wartime aircraft production from many sections of this nation. Many were individuals who had been previously without experience in the field of mechanics but had come, a large number of them at least, from the farms of America, from the rural sections and from jobs which they held in commescial and business establishments.

I continued the interest by attempting to get a close-up of what was happening during the impact of war upon our economy in the production of aircraft. More particularly I was thinking in terms of what could and would happen in the United States when we began to level off from our production of the heavier aircraft which are spearheading the attack of America and the Allied nations toward a certain victory. For that reason I am genuinely appreciative of the opportunity which you have given me to present brief comment during these hearings which I am sure will lay down a foundation or pattern upon which the Senate and House can attempt more properly to meet this problem which comes very near to us.

Mr. Chairman, as I understand it, the winning of this war is going to involve more than just the mere defeat of those relentless and ruthless and still well equipped foes we fight. What we are doing now in the actual prosecution of the war will be largely lost if this Republic fails in the post-war period. Any nation in the world must be kept from attempting to do in the future what Germany and the Axis powers have done in this conflict.

Now, we have had the impact of war, and I have spoken of that in connection with these aircraft workers. I think, however, we are going to have a greater problem from the standpoint of American productivity under the impact of peace. I feel that if the nation is unprepared we might have a disaster which might affect the ultimate welfare of the economy of this country, and of course it would drastically affect America from the standpoint of keeping on a stabilized economy during the immediate years after the war.

Our war will not be won on the day when some gallant American doughboy throws a leg over Hirohito's throne. Nor will we win it on the inevitable day of unconditional surrender of the Axis, not even when the last cringing criminal has been tried and punished. Victory will be ours only when we have achieved the objectives for which we are battling; when the giant factories now producing munitions of war, including aircraft, are humming with peaceful production; when our returning soldiers have been demobilized and given good employment on our farms and in our factories; when there is a job for each man who

desires to work; and the dignity and liberty of every person are secure.

The most critical period confronting us today is the period of transition from total war to the paths of peace. It is imperative, therefore, as a vitally important part of our war effort, that we consider today the post-war world which is waiting for us in the tremendous future, and that we be ready for the final battle of civilization, the battle which will begin in earnest on the day bombs cease to drop.

So I believe we must plan in time of war, just as your committee is doing, for the peace which is to follow. In planning for our post-war period of domestic life in the United States, certainly we have at least two important problems which are vitally connected. We must plan, before it is too late, for a conversion of our industrial structure that has been almost wholly war production, into a sound and wholesome, thriving and expanding commercial production. At the same time, as far as possible, we must retain the essentials of this industrial structure, thinking essentially of aircraft production. We can do it efficiently and, if necessary, quickly, as we did in the past when we shifted from peacetime to war production. I think if there is any single factor which has made itself known to America and the world in this conflict, and the factor that checked the Axis powers, it was that America had the ability to turn from a peacetime production and to propel it rapidly and on a large scale into the purposes of war.

Mr. Chairman, I would like, if I may, to place in the record a quote from a speech I made November 12, 1943, on this subject when I had the opportunity of speaking at the National Clinic of Domestic Aviation Planning in Oklahoma City. It is as follows:

> The Government of the United States certainly has the over-all responsibility to bring about a readjustment of wartime contracts. Cooperation is needed between the Army and Navy and private industry, and I believe a proper check should be exercised by Congress.
>
> We have in effect all over this country an emergency from the standpoint of the construction of the buildings that house these great industries. I don't believe you can expect the aircraft manufacturers or private business to take at cost these expensive structures which had to be built, sometimes at a waste, because, of necessity, they had to be built at once. Industry today should be given a reasonable cost basis for the continuance of these factories after war has ended.

There are at least 2,000,000 employees now in the aircraft manufacturing industries of America, and 1,500,000 might lose their jobs immediately at the conclusion of the war, especially the end of the war in Europe. Loss of these jobs could be rapid and a fearsome result might come to America at the war's end. I think, however, we can go through a period of leveling off and readjustment and at least 500,000 to 750,000 workers can be kept in the aircraft industry after the war. They might work part time in many activities other than actually be employed in an aircraft plant. They could be used in agriculture. Now, I realize that there are many individuals who believe that it is not practical to have employees work part time in a factory and part time in the production of the products from the soil. Mr. Chairman, I believe part time work is sound. I believe, on a small scale, it has been found feasible and I believe in the post-war period of America many aircraft factories, particularly those on the west coast, could utilize tens of thousands of individuals who would work part time on small farms, and even on larger agricultural projects, and at the same time be employed for a certain number of hours or a certain number of days a week in the production of aircraft.

Senator MURRAY. Has Mr. Ford suggested such a program as that at some time?

Mr. RANDOLPH. I believe he has, sir. I am not just sure who has suggested it or what has actually been done, but I know that there are reasons, from my own observation, to believe that after the war we will have in this country men and women who could work on the soil, and till the land and who would also find time to supplement their income by working in factories. There is no reason why the aircraft industry can not do this on a large scale.

I believe also that a second possibility for the aircraft worker today, who will probably be displaced in a large measure, is for that individual to continue, as I have said, in part time employment of other types.

I believe also we can balance heavier plane production with lighter aircraft output. There are individuals who believe that that can not be done possibly in some plants, but I believe there are men who are making a study and a thorough research who believe that the plant can combine the heavier aircraft which will be used in wartime or in air transport activity and the smaller plane for private business and pleasure in this country—the family-use aircraft.

After World War I, we became a nation on wheels and our economy was built around the automobile. I believe in view of the fact of what happens in this war, instead of an era on wheels, America will become a nation on wings. I believe that the approximately 24,000 privately-owned and operated aircraft that we had in this country as of Pearl Harbor day in 1941 will be increased, certainly within a reasonable period of readjustment after the war, to upward of 400,000 to 500,000 privately owned and operated aircraft. Oliver Parks, far-visioned head of Parks Air College, St. Louis, Mo., believes approximately 140,000 permanent aircraft manufacturing jobs could be maintained through the construction and operation of 6,000 air parks. These facilities would be essentially for the private flier. We do know that more than 200,000 persons have indicated that they desire, at the close of the war, to purchase small planes for private use. Mr. Parks believes that there may be 5 million private planes built and sold by 1960. It is on this basis that he estimates the 140,000 permanent jobs in manufacturing the personal plane.

There is a responsibility of America to keep its aircraft industry after the war is concluded. I believe it will be absolutely tragic to America and disastrous, for that matter, to the world if this Nation does not continue in the post-war period to build a continuing air power, to be utilized certainly for the purpose of peace but possibly for the purpose of war.

I feel that the 28,000 high schools of the United States will fail in doing a complete educational job if they do not include in their curricula pre-flight courses, such as, navigation, theory of flight, servicing of aircraft, meteorology and many other subjects. If these 28,000 high schools of America can, not a part of them, have these pre-flight courses as a part of their regular studies, the educational system of America will be more valuable, not only to the boys and girls who will absorb that which they study, but to the nation in any emergency in which it might find itself in future years.

So we have a potential of millions of young men, the youth of America, who are going to begin to think, and they should think, in terms of the utility of aircraft in the future of this country.

I also believe that any administration, whether it is Republican or Democratic, should subsidize—and that word may be unpopular today—should subsidize in the future actual flight training of boys and possibly girls of the ages of 16 and 17 in the United States.

Now, someone may say, "Well, those boys and those girls can pay for their own flight training." It cannot be done, and the discriminating taxpayers of America, regardless of whether they are the Democrats or Republicans who are in power in the next few years, cannot better spend tax money than for a part of it to be used to subsidize actual pilot training of the youth of this land. Those youth are in the age brackets where they do not have the money to take flight training and pay for it themselves. In their twenties, of course, after they are employed they might have the money but those of 16 and 17 years of age, take most readily to pilot training. This has been shown by a study of the pilot training program which was adopted as a civilian measure in 1939 but which certainly gave a backlog of at least 100,000 pilots who have gone into the channels of Army and Navy aviation.

I believe in a program for approximately 120,000 youth in the age bracket of 16 and 17 to be trained through aid from the Federal Government each 12 months, at least for a period of 5 years after the war has been concluded. In other words, we could train approximately 600,000 boys and possibly girls in this age bracket in that 5-year period.

In conclusion, I believe also that the Congress of the United States, in preparing for the post-war period, when the aircraft and the air-transport industry will be increased, that the Congress should consider that this Federal Government can and must assist the political subdivisions of the community, the county or the State, in the construction of airports in this country. People say, "Well, now, when this war is over the Federal Government should not spend funds upon any activity of this type." I remind you that the Federal aid highway bill which, each 2 years, comes before the Senate and House for passage, gave to America a system of roads throughout this nation prior to the war which were the envy of the world. Under wartime stress, when repairs could not be made, with the heavy equipment which has been hauling the materials to the fighting fronts, by and large that highway system has stood the test. In other words, it was built soundly and it has been used effectively. We found that America in war had to depend upon this building program which was constructed in peacetime.

For a period of 5 years after the conclusion of this war, America, through Federal aid, matching 50–50 with the State or other political subdivision, should lay down a pattern of between 12,000 and 15,000 airports in this country. These airports do not have to have in all instances hard surface runways, but can be built at a few thousand dollars' cost, especially in the smaller communities where the turf will make it possible for the landing of light aircraft, and in some instances the heavier aircraft. I believe this Nation can profitably spend $100,000,000 every year of Federal funds, matched, of course, by State or local funds, and an expenditure of at least $2,000,000,000 of airport construction should come about in this country in 10 years after the war. Tremendous growth will come in private flying, I repeat, and air-transport lines will have a great upsurge.

Mr. Chairman, once again I congratulate this subcommittee and express my genuine appreciation for the opportunity of making these few remarks.

Senator MURRAY. I thank you very much for your very able statement, Mr. Congressman. I am glad that you came here and gave it to us.

Mr. RANDOLPH. Thank you, Senator.

Senator MURRAY. Mr. Frankensteen.

STATEMENT OF RICHARD T. FRANKENSTEEN, VICE PRESIDENT AND DIRECTOR OF AIRCRAFT, UNITED AUTOMOBILE WORKERS—CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. FRANKENSTEEN. I testified before this committee about 6 months ago on the cut-back in the production of Navy Corsairs at the Brewster plants on Long Island and in Johnsville, Pa. I am sure you will be interested to know what has happened at those plants in the meanwhile.

Labor's contentions have been borne out. We predicted that the way the termination was handled would bankrupt the company and would leave the workers without jobs. This is what happened. The workers at the Long Island plant of Brewster have scattered and many of them are still unemployed.

What developments have occurred during this period in the Government's plans with regard to the handling of reconversion? At the W. P. B., a program has been worked out by the production executive committee staff and approved by the production executive committee and by the armed services. This calls for advance notice to the production executive committee in the case of all cut-backs in war programs amounting to a million dollars or more per month. It involves also approval by the production executive committee of the detailed plans regarding which plants are to be cut back, prior to the cut-back itself. Through the machinery of the labor and industry representatives at the War Production Board, information regarding the impending cut-backs is transmitted both to the plant managements and to the unions involved.

These are steps in the right direction, but they are by no means adequate. In the first place, the new procedures apply only to prime contractors. Since no more than one-half of workers employed in munitions production are employed directly by prime contractors, this limitation is obviously a very important one. There is nothing in the present procedures to determine how the prime contractor will distribute the cuts which he must necessarily make in his subcontract work. In general, it may be supposed that as war production declines and until reconversion really gets under way, the prime contractors will pull in their subcontracts insofar as possible, and concentrate production in their own plants. Thus, from the standpoint of disemployment, the importance of the subcontractors is even greater than is indicated by the proportion of workers whom they employ.

Senator Murray, you will not miss the significance of this point for the small businessman. As war contracts are terminated and canceled, the small producer who operates at the beck and call of the big producer will be the one who takes the brunt of the cut-back. Later,

however, when reconversion is well under way, we may find the reverse: the prime contractors, scrambling to return to nonwar production, will again pass the burden on to their suppliers and subcontractors. All this, as I shall point out presently, indicates the urgent need for developing orderly reconversion plans.

A second defect in the present procedures is the absence of a policy regarding the selection of plants to be cut back. This is a difficult issue, but one which must be faced with a maximum of public discussion and public consent. Otherwise there will be charges of discrimination against plants or against localities, with the result that morale will be seriously impaired. Many factors must be taken into account, but it seems to me that two are crucial.

Those plants best prepared for immediate reconversion to nonmilitary production should be the first cut back. That is, other things being equal, if there is a choice between cutting back production in a highly specialized plant or in a less specialized plant, the latter should be selected. This would mean frequently that privately owned plants would be chosen for cut-back ahead of new Government-owned plants. Incidentally, the effect of such a policy would be to increase the pressure for planning and scheduling reconversion.

A corollary to this principle would be the selection of plants which subcontract a considerable portion of their work, in preference to plants which handle it all themselves. Thus, the subcontractors which are typically more flexible and more readily reconvertible would be the ones to start on nonmilitary production.

The second principle, essentially similar to the first, which should be used in choosing plants for cut-backs, is that preference should be given to plants in areas of diversified production. Thus, in the aircraft industry, for example, as between two plants, one in Detroit and one in Wichita, the choice would fall on the Detroit plant. This would be desirable both because the Detroit plant could be more readily reconverted, and also because delay in stopping production in Wichita would provide the time necessary for developing plans for handling the extremely difficult situations which are bound to develop in the greatly expanded, single-purpose war areas.

The aircraft industry, with the exception of shipbuilding, is the most difficult industry to which to apply these principles. Obviously, a very large proportion of its facilities are of the single-purpose type, located in single-purpose areas. It is imperative, therefore, that work be begun at once on what is commonly called "post-war planning" for the aircraft industry. The cut-backs which are visible in the next 6 months will involve not only reconversion problems, but post-war problems. I shall return to these issues later. They are urgent.

A third limitation concerning cut-back procedures arises out of the continuing failure to schedule the resumption of nonmilitary production. With munitions employment already sharply on the down grade, essentially nothing has been done to insure that the workers, no longer needed in producing war materials, shall be expeditiously reemployed in the production of nonmilitary goods, either for export or for meeting essential civilian needs at home. Here and there minor changes are being made in W. P. B. orders concerning the use of critical materials and some relaxation has occurred in the limitation orders applying to consumer durable goods. The policy, if it can be called

that, is a negative one of relaxing controls, not a positive one of adapting controls to the needs of a new situation, namely, the shift back from producing war goods to producing peacetime goods.

On this matter there appears to be an extraordinary amount of pulling and hauling in Government circles, reflecting policy conflicts within industry. Certain elements in W. P. B. are lined up with the services to delay the return to nonmilitary production, while other elements in W. P. B. are lined up with small business to expedite reconversion. From the standpoint of the general interest of the country as a whole, which sees orderly reconversion as a wartime necessity for the maintenance of full employment, there can be no choice between these two positions. Recognition of this fact, Senator, is one reason why labor is wholeheartedly supporting the idea of overall legislation in the reconversion field.

I should like at this point to make some observations on the position taken by the Services in this connection. Their weight is being thrown heavily against any immediate reconversion. No one, of course, much less our union which takes second place to no one in its emphasis on war production, can object to this if it means simply that reconversion must not be allowed to interfere with production for victory. But it is our conviction that failure to plan for reconversion in time to prevent large-scale unemployment is itself a war necessity. If X day comes before we are ready with programs for nonmilitary production, it is no exaggeration to predict unemployment of up to 4,000,000. This might develop by this Christmas if Germany is knocked out this fall, as we all hope it will be.

In the face of this probability, the services continue to talk only of war production. In effect they are saying, "Our concern is only with immediate war production. We are not interested in the possibility of production chaos after Germany is defeated. And we have no interest whatever in the shape of the civilian economy after the war." Let me illustrate what I mean.

The War Department in recent statements has emphasized that "its monthly goals of war-material deliveries are not being met" and is quoted as having urged the W. P. B. "not to permit relaxation in production controls and to exert even more vigorous efforts to increased manufacture of weapons" (New York Times, July 2, 1944, p. 15). General Somervell, in another press release, "declared today war production was continuing to lag and asked that fishing trips be put off until victory is won" (Washington Post, July 4, 1944, p. 9).

These statements are for public consumption and appear to be designed to throw discredit on war workers; they are not a complete representation of the facts. It is true that war production is now on the decline, but it is not true that war production is lagging. The facts are, as I understand them, that all essential schedules are being met. The schedules which are not being met are an unrealistic hangover of earlier plans and are not being taken seriously either by industry or by the Government.

The aircraft industry is a case in point. The first news release regarding June airplane production emphasized a drop from the preceding month of nearly 10 percent in the number of aircraft produced. A subsequent release, however, pointed out that output in weight per day had been substantially the same over the past 3 months. Moreover, four-motor bomber production, the type most urgently

needed, was ahead of schedule in June. Mr. Wilson explained that the decline in the number of planes produced was "fortunately" principally in types of planes "not needed." I conclude from this that plane production is in good shape. The same, I am sure, is true of other production programs where the pressure is really being applied.

In general, it appears that the barriers of planning for the resumption of nonmilitary production rise out of the very lack of planning about which we are talking. The War Department is reluctant to have the word get around that the peak of war production has passed because they fear an exodus of workers and growing pressure on the part of individual enterprises to get back into civilian production. But the worker's fear of the ending of his war job and the industry's fear of contract termination could readily be allayed if they knew in advance that opportunities were available to them for other types of employment or production, particularly if they knew that jobs were to be available in the same plants or same localities.

Another defect in the current situation regarding the handling of reconversion rises out of the continuing absence of adequate labor participation. Nine automobile companies are scheduled to meet with the W. P. B. next Friday, July 14, according to the New York Times story, "to discuss and learn how they are to return gradually to peacetime production." A proposal is afoot for an early return to civilian auto production at a level of 50 percent of pre-war output—all companies to participate equally. This is a proposal of critical importance to labor as well as to the country as a whole. Yet to date the U. A. W. has received no invitation from the W. P. B. to participate in this meeting. Organized labor is convinced that the interests of the country as a whole and of labor in particular cannot be adequately safeguarded without full labor participation during the reconversion process.

On the legislative front, progress during the past 6 weeks has been even less notable. Congress has passed, and the President has signed, a contract termination bill which in itself will do nothing to meet most of the pressing problems with which this hearing is concerned. So far as I can make out, the next topic nearest to Congress' heart is the disposal of surplus Government property. This is a matter in which the labor movement has a vital concern but is one which, we feel, can best be handled as a part of the whole program for obtaining the fullest possible utilization of our human and material resources, rather than as a single unrelated item. We are united, as you know, in support of legislation which would establish an over-all Government agency to handle the return to peacetime production, and we feel that the disposal of surplus property should be one of the functions of this over-all office. Contract termination should, of course, be handled by the same agency.

Here in the Senate, discussions of such over-all legislation have concerned themselves more with acrimonious intercommittee dispute than with constructive pressure for the passage of adequate over-all legislation. In the House, an over-all bill has only just been introduced. Some persons in the administration appear to be lukewarm over the proposal, preferring to take the long discredited position that it is sufficient to knock heads together when disputes arise, but that no steps need to be taken to prevent the disputes from arising.

Senator MURRAY. Mr. Frankensteen, I would like to inquire, what committees do you have reference to that are engaged in acrimonious disputes?

Mr. FRANKENSTEEN. Well, on the question of the Kilgore bill.

Senator MURRAY. Don't you know that the Kilgore committee is a special committee of the Senate and has no jurisdiction over this problem that we are considering? Don't you know that?

Mr. FRANKENSTEEN. Well, it ties in very closely with it.

Senator MURRAY. Yes, but this committee that I am chairman of is a subcommittee of the Military Affairs Committee and is the only committee that has jurisdiction here, and there is no acrimonious dispute between this committee, of which I am chairman, and the Kilgore committee. I do not know of a single dispute that this committee has ever had with the Kilgore committee in the past, and I am a member of the Kilgore committee myself. I think you are very careless in making that statement.

Mr. FRANKENSTEEN. All right.

Senator MURRAY. There is no basis for it whatever. I have always tried to be very courteous to you, I have always treated you with the most extreme courtesy in all committees in which I have membership, and I do not like to have you make a remark of that kind when there is no basis for it whatoever.

Mr. FRANKENSTEEN. I am sorry, Mr. Chairman. Perhaps my remark should not have been made. I agree as to the courtesy and I appreciate your excellent attitude. I did not mean any affront to your committee or to you personally. Perhaps I should say we regret that there has been no action which will meet the problems which we are facing where action is so sharply needed.

Senator MURRAY. I assume that your labor organization and other labor organizations are very much interested in aiding us and formulating legislation which would be a guide in this connection. Isn't that true?

Mr. FRANKENSTEEN. That is absolutely true.

Senator MURRAY. Don't you know that you have not presented any proposed legislation to this committee, and if you had it would have been considered in connection with the contract termination bill? I sat up late at night and worked on Sundays with representatives of labor in an effort to have them work out a bill on unemployment compensation, and we were unable to do it. Only yesterday I received a proposed bill which representatives of labor think will meet the situation. I haven't read it yet. So, as far as this committee is concerned, I want you to understand that we are extremely anxious to cooperate in every way with every group in the United States in working out these reconversion problems.

Mr. FRANKENSTEEN. I do not intend to challenge that, Senator. I know that to be true as to your particular interest and as to your own participation. I am sorry if my remarks led to your thinking I was attacking your personal activity or the activity of your committee.

Senator MURRAY. Thank you.

Mr. FRANKENSTEEN. As an elected official of a labor union, I can understand the current preoccupation of Senators and Representatives with questions of party conventions and reelection. It must seem

very important to those who are planning the Democratic convention, to which I happen to be a delegate, that they have obtained Helen Gahagan Douglas to outshine Clare Boothe Luce. But I want to reiterate, what I stated in my testimony on the Brewster case, that the absence of over-all production planning, serious as it has been during the war, will be even more serious during reconversion. For both workers and business there was, during the conversion period, a combination of patriotic and financial incentives which made the transition to war work relatively easy. In the period ahead the incentives motivating both business and workers are not such as to make for an orderly transition. The absence of Government controls, developed and operated with business and labor consultation, is certain to produce a chaotic situation which will make extremely difficult the attainment of the full employment about which everyone is talking.

Industry without guidance is certain to seek to return to non-military production in such a way as to maximize immediate profits without much concern about the over-all effects. The recent announcement by the automobile industry, for example, that its first post-war cars will be substantially similar to the 1942 models is a case in point. In the aircraft industry, I have found similarly little in the way of constructive planning with a view to the general interests of aviation. Left to itself, industry tends to think in terms of contract terminations, clearing their plants of Government property, disposal of Government surpluses, reductions in "oppressive" taxes and reduction of the public debt.

This general attitude is well illustrated by the great majority of the winning plans submitted for the Pabst post-war employment awards which I have been looking over recently. Almost none of them gives more than lip service to the full employment concept or to the important human problems involved in reconversion. I am happy to point out an exception which proves the rule, namely, the very fine program outlined by Joseph M. Gillman which I commend to the attention of your committee.

To indicate the magnitude of the cut-back problem which is already upon us, I should like to submit a few figures on employment changes. In this connection, it should be emphasized that by no means all reductions in war employment are in the form of what are currently being called cut-backs. Contractors, as they see that contracts are running out, are permitting their forces to fall off by failure to replace all those who leave. In some instances, according to reports which I receive from the west coast, they are even stimulating the number of quits so as to achieve a reduction in employment. From the standpoint of the individual company, this method of reducing employment may be smarter than the sharp cut-back of the Brewster kind; it is less dramatic and produces less public outcry. From the standpoint of national production, however, there is very little to choose between the two methods. In either case, we are losing the production which these workers might be turning out, and we are bringing upon ourselves a new unemployment problem.

I have prepared a simple table which shows what is happening to total munitions employment, giving in three columns, respectively, peak employment, current employment, and estimated employment

as of the end of this year. You will note that total munitions employment has already dropped off substantially, and that, by the first of the year, there may have been a net reduction from the peak amounting to almost a million and a half. This is on the assumption that the war in Europe is still on. It it is over this fall, a 40 percent decline from present levels would bring employment in munitions industries down to 6,000,000.

Employment changes in war industries

[In millions]

	Peak	Current	End of 1944 estimates assuming war in Europe is—	
			Still on	Ended
All munitions	10.4 (November 1943)	9.8 (April)	9.0	6.0
Aircraft	2.3 (November 1943)	2.0 (June)	1.8	1.2

The second line presents, for the same periods, figures for the aircraft industry as a whole, including employment by subcontractors and employment in plants producing engines and propellers, as well as in airframe assembly plants. Here, too, a considerable drop has already occurred and an even greater one is in prospect. For the Los Angeles-San Diego area, the largest single concentration of airplane employment, the reduction has been even more striking. Some 50,000 or nearly one-fifth have already disappeared, and a further reduction of 50,000 by the end of this year is not unreasonable to expect, even if there are no further substantial changes in scheduled output. Thirty thousand have been dropped in the last 90 days.

It is common gossip that with the end of the European phase of the war, production schedules will be cut by 40 to 50 percent. It is common gossip, also, that the Army's supply program provides for a very wide margin of safety. As a civilian, I am in no position to criticize this policy even if I wished to do so. I must point out, however, that the abundance of supply which now characterizes the Army situation presents certain possible dangers. It is possible to come to a sudden decision, as was done apparently in the Brewster case, to cut back scheduled output suddenly.

That such action might be taken on the basis of political considerations, leading to drastic cut-backs within the next few months prior to the November elections, seems to me a possible eventuality not to be overlooked. It was with this type of possibility in mind that President Murray addressed a wire to Secretary of the Navy, James V. Forrestal, at the time of the Brewster cut-back, urging him to make sure that there were no political considerations involved in that particular action. I am reading from the paragraphs in question:

> In the meantime it is respectfully requested that the Secretary examine the political background of the Navy's action. Those in your Department initiating the action could not have been blind to the fact that termination of contracts are of the greatest political significance in this election year, particularly when it is demonstrated that the Department has not planned for or exhibited any consideration of the people thus thrust out of work.

The apparent motive of secrecy from other Departments, created by our great President to handle just such emergencies, it is respectfully urged, merits your attention.

It would be most reassuring to be informed that the Navy's action was not precipitated by Navy Department people unfriendly to the President of the United States and to Senator Robert Wagner of New York. Such a back-door entrance into national politics, we feel sure, you would deplore in any Department serving under our President.

I am glad to believe that in this instance the action was not taken on these grounds, but I should respectfully like to urge that the best way to avoid the appearance of an improper use of the power of the military would be the adoption of some type of over-all planning in which all interested groups participated.

In connection with the transition to peacetime production, there are several specific steps which must be taken in order to safeguard workers' earning power, to insure the maintenance of purchasing power, and to prevent unnecessary loss of productive capacity. I recently addressed a letter, June 13, 1944, to all aircraft locals in my organization, recommending that wherever possible, they enter into negotiations with the aircraft companies with a view to adding to existing contracts provisions for severance pay. I suggested, as a standard, 4 weeks' pay (at the 48-hour rate) for those employed 6 months or more but less than 1 year, and 8 weeks' pay for those employed for 1 year or more. Several of the locals have reported that they have negotiations under way. Local 887 in Los Angeles is one of these. We are prepared in most instances to find the companies unwilling to accept any such proposal, and are assuming that the cases will go to the National War Labor Board for settlement. We believe it should be a policy of the War Labor Board to approve severance pay provisions in collective bargaining contracts. There is nothing inflationary about this proposal; on the contrary, the payment of these wages, as employment falls off, will have the effect of helping to hold up national purchasing power when it is most needed.

There is a lot of nonsense widely current concerning the reserves which workers have been able to accumulate during the war because of allegedly high earnings. A recent study by the United Steelworkers dissipates this idea completely. Typical steelworkers' families were interviewed during the fall of 1943 to obtain specific information regarding their expenditures, earnings, and savings. It was found that despite the fact that they were buying War Savings Bonds, they were doing so only at the expense of other savings, and that on balance they were going into the red to the amount of $3.42 per month. While the coverage of this study is not great, there is no reason to suppose that its findings are not typical of war workers, while in the lower-paid categories they had even less opportunity to save than the steelworkers. Furthermore, as the C. I. O. and A. F. of L. studies on the cost of living have demonstrated, living costs have risen in the neighborhood of 45 percent since January 1941, thus erasing the large amount of increased dollar earnings. I think that can be illustrated also by the failure to meet the quotas on the sale of "E" bonds. I don't think there is any question that, when the cost of living was not high or as high as it is, and there was some surplus, the workers were purchasing more war bonds, but in this last drive they certainly did fall off because the money just was not there.

In passing, it may be interesting to compare the findings of this study of the steelworkers with a recent study by the Securities and Exchange Commission of working capital holdings of American industries. These, according to the S. E. C., have reached an all-time peak, amounting to a total of 41.6 billions of dollars in 1943. To quote from the S. E. C. statement: "At the end of 1943, American corporations were in as favorable a financial position as they had ever been in their history." As a whole, American industry is in an essentially favorable position to reconvert.

It is true that the aircraft industry, having expanded phenomenally during the war primarily with Government funds, is in a considerably different position from manufacturing industry generally. Its working capital position is distinctly less favorable. Over against this fact however, should be put another, namely, that the aircraft industry has been fabulously profitable during the war. By 1943 the rate of return on net worth for 24 leading aircraft, parts, and engine plants, had risen to an average of 41.48 percent, the equivalent of $41.48 for every $100 owned by the stockholders. In the single year of 1943, therefore, a stockholder got back in profits almost one-half of his total investment. I am submitting for the record, at this point, an analysis of aircraft-industry profits prepared by our Research Department.

Senator MURRAY. It may be inserted in the record.

(The analysis referred to is as follows:)

AIRCRAFT INDUSTRY PROFITS, 1939 AND 1943

[From the Research Report, Detroit, Mich., June 1944]

A preliminary study of 24 leading aircraft, parts, and engine compaines' profits before and during the war has just been completed by the United Automobile Workers-Congress of Industrial Organizations. The results of the study—covering more than half the industry—show that between 1939 and 1943 net sales increased 2,466.3 percent, profits before taxes increased 1,797.5 percent, profits after taxes increased 684.3 percent.

These figures do not fully reflect the actual increase in sales and profits for the entire industry, for the preliminary survey does not include such large corporations as Curtiss-Wright, Wright Aeronautical, and North American Aviation, companies which have not yet released their 1943 income accounts to the public.

For the 24 companies as a whole, net sales rose from $239,742,201 to $6,152,428,024 between 1939 and 1943. Profits before taxes shot up from $33,703,593 to $639,516,972; and profits after taxes, from $20,199,905 to $158,425,411.

RATE OF PROFIT

The 1939 profits after taxes for these companies represented a 14.16 percent rate of return on net worth. In other words, for every $100 which a stockholder held, a net profit of $14.16 was made that year. By 1943, the rate of return on net worth for these same companies had risen to an average of 41.48 percent, the equivalent of a net profit of $41.48 for every $100 owned by stockholders. In the single year of 1943, therefore, a stockholder got back in profits approximately one-half of his total investment. Figured in terms of their 1939 net worth, the 1943 profits of these 24 companies yielded an average rate of return of 111.06 percent. In other words, they made in 1943 a profit of $111.06 for every $100 owned by their stockholders in 1939.

The average return on net worth for the aircraft industry—41.48 percent—was approximately 4¼ times as large as the 9.9 percent rate of return which, according to the National City Bank Bulletin, was the average for all manufacturing industries in 1943. It was approximately 3 times as large as the 16.1 percent average rate of return for the automobile industry.

AUTO AND AIRCRAFT

The spectacular increase in profits of the aircraft industry does not mean, however, that it has reached the position where it threatens the dominance of the automobile industry. That increase is largely accounted for by the fact that the auto industry before the war was already the Nation's largest industry, while aircraft in 1939 played only a minor part on the American industrial scene. Auto plants, for example, employed about 700,000 workers in 1939; aircraft, only about 50,000. In 4 short years, however, the aircraft industry, fed by Government orders, has become a major American industry and the Nation's leading war industry.

The relative positions of the auto and aircraft industries 4 years ago has had a major effect on the wartime position of the aircraft industry today. Because the auto firms were well established several years ago, they were able at that time to exert pressure on Congress to enact tax legislation which would be most favorable to them.

TAXES

Proof that present corporate tax legislation works to the advantage of older, well-established industries may be seen from the fact that taxes eat up a smaller proportion of their earnings than they do of the earnings of new industries. Profits after taxes of the auto companies included in the recent United Automobile Workers, Congress of Industrial Oragnizations, survey amounted to 35.5 percent of profits before taxes. For the 24 aircraft corporations included in the present survey, profits after taxes amounted to only 24.8 percent of total income.

In terms of dollar of net profit per dollar of sales, it can also be shown that the tax laws favor the automobile industry. In 1943, net profit per dollar of sales in the auto industry was 3.2 cents. Aircraft companies made only 2.6 cents on every dollar of sales that year.

Spokesmen for the aircraft industry, in testifying before Congressional committees on renegotiation and taxation, repeatedly make the claim that the industry is in a precarious financial position. They conveniently gloss over the fact that, since 1939, earned surplus—the part of the profit which is left after the distribution of dividends—and contingency reserves have increased at least 793.85 percent. They do not mention the fact that while net income for the industry rose from $70,000,000 to $82,000,000 between 1941 and 1943, dividends paid out dropped from $28,000,000 to $24,000,000. And they never acknowledge that under the terms of the Federal tax law they are guaranteed rebates if, after the war, their profis should drop to the 1939 level.

Aircraft industry profits, 1939 and 1943

Name of company	Net sales		Increase of sales, 1939–43	Profits before taxes		Increase of profits before taxes 1939–43	Profits after taxes [1]		Increase of profits after taxes, 1939–43
	1939	1943		1939	1943		1939	1943	
			Percent			*Percent*			*Percent*
Aeronca Aircraft Corporation	$841,332	$4,574,403	443.71	$90,892	$736,969	710.82	$72,261	$204,546	183.07
Air Associates, Inc.[2]	1,860,744	20,496,676	1,001.53	160,356	4,143,912	2,484.20	126,939	1,135,651	794.56
Aviation Corporation	3,301,779	72,621,807	2,099.47	—1,617,625	13,081,568	----------	—2,238,149	4,719,967	----------
Beech Aircraft Corporation [2]	1,328,296	9,429,384	609.98	—64,021	15,402,457	----------	—91,479	4,035,414	----------
Bell Aircraft Corporation	430,439	231,435.20	51,435.20	14,155	12,479,615	88,204.16	3,308	3,062,590	33,176.26
Bellanca Corporation	204,350	6,222,492	2,945.02	—200,158	978,828	----------	—206,262	942,704	----------
Bendix Aviation Corporation	41,726,848	823,510,234	1,874.08	6,109,660	134,869,828	2,075.44	4,797,617	22,222,704	363.20
Boeing Airplane Co.	11,946,943	493,138,161	4,063.02	—127,422	30,847,870	----------	—3,284,074	6,482,870	----------
Breeze Corporation	2,921,574	46,268,029	1,449.44	231,365	11,315,540	4,790.77	177,126	2,610,064	1,373.56
Cessna Aircraft Co.	199,157	76,729,401	3,841.44	—2,519	11,296,568	----------	—10,634	3,039,962	----------
Consolidated Vultee	3,603,240	797,199,644	22,024.62	1,398,093	92,235,831	6,497.26	1,104,327	26,067,911	2,260.52
Continental Motors Corporation [3]	9,295,648	196,498,812	2,022.79	33,333	27,582,098	82,497.12	215,165	7,708,820	347.34
Douglas Aircraft Corporation	27,866,658	987,657,196	3,444.33	3,532,114	47,382,257	1,241.47	2,884,197	12,902,257	347.34
Fairchild Aviation Corporation	2,003,117	53,484,907	2,570.08	601,680	6,445,285	831.82	422,744	1,949,110	290.10
Hayes Manufacturing Co.[3]	1,352,493	19,272,610	1,324.97	137,516	2,607,700	1,269.91	—292,535	831,145	----------
Lockheed Aircraft Corporation [4]	35,308,150	697,408,167	1,875.20	4,213,906	67,935,414	1,512.69	3,132,103	16,485,538	442.26
Glenn L. Martin Co.	24,169,469	632,163,870	2,515.55	5,998,390	78,214,437	1,203.48	4,064,213	19,437,179	378.13
Piper Aircraft Co.	1,708,662	11,778,897	589.49	113,741	3,081,160	2,608.93	90,729	847,313	407.55
Ryan Aeronautical Corporation [3]	845,196	25,208,967	2,884.42	6,196.56	580,181	----------	—72,738	133,424	838.89
Timm Aircraft Corporation [4]	31,883	80,149,867	414.74	—51,023	13,001,252	----------	647.62	2,804,148	----------
Thompson Products, Inc.	15,571,863	733,690,608	1,308.52	1,739,015	59,329,445	418.70	1,252,199	20,880,644	127.57
United Aircraft Corporation	52,082,290	14,660,500	1,483.57	11,438,132	456,458	8,972.91	9,375,437	120,681	1,222.72
Vultee Aircraft Co.[2]	925,791	5,676,975	2,111.49	—5,031	700,846	----------	—21,501	169,689	26,137.6
Warner Aircraft Corporation	256,703			—21,501		----------			----------
Total	239,742,201	6,152,428,024	2,466.27	33,703,693	639,516,972	1,707.47	20,199,905	198,425,411	684.29

[1] Including reserves.
[2] Years ended Sept. 30.
[3] Years ended Oct. 31.
[4] Includes Vega for 1939.
[5] 1939, 12 months ending Dec. 31; 1943, 12 months ending Oct. 31.

GUARANTEED ANNUAL PROFITS

If these corporations should operate at no profit in 1945, they would under the carry-back and carry-over provisions of the tax law be entitled to checks from the United States Treasury worth the following amounts:

Fairchild Aviation	$358, 651	United Aircraft	6, 690, 266
Bendix Aviation	1, 925, 404	Douglas Aircraft	4, 009, 700
Boeing Aircraft	898, 900	Cessna Aircraft	200, 885
Aviation Corporation	1, 263, 500	Thompson Products	1, 061, 510
Beech Aircraft	169, 859	Glenn L. Martin	2, 222, 755
Air Associates	149, 207	Hayes Manufacturing	412, 114
Bell Aircraft	555, 500	Timm Aircraft	17, 574
Bellanca Corporation	101, 000	Ryan Aeronautical	89, 804
Consolidated-Vultee	1, 020, 100	Continental Motors	732, 250
Breeze Corporation	509, 343	Lockheed Aircraft	1, 789, 316

Mr. FRANKENSTEEN. The same study shows the amount which these 24 companies would receive back from the United States Treasury under the carry-back and carry-over provisions of the tax law if they should operate without profit in 1945.

Severance pay is one thing we are working on as an immediate aid during reconversion. A second safeguard consists of the seniority provisions in our contracts. These assure some degree of orderly reduction in force when lay-offs are necessary. They likewise offer in some measure an orderly procedure for reabsorbing the returned servicemen. Your committee may be interested to know that many of our aircraft contracts contain clauses of this sort. (I am quoting from a summary of the contract between the Wright Aeronautical Corporation, Paterson, N. J., and Local 689, U. A. W.-C. I. O.):

Men and women, drafted or enlisting, get leave of absence and accumulate seniority during period of service in armed forces. Upon termination of service, if honorably discharged, will be reemployed on basis of seniority if qualified to do available work at the then current rate for such work, if he reports within 60 days.

We are also, as I point out later, working to insure maintenance of purchasing power through increased wage rates. These are the steps—severance pay, seniority rules, and increased wage rates—which, as a union, we can work for most directly. Beyond that we have to depend largely upon Government action. It is necessary for the Government to provide adequate unemployment compensation, to pay transportation costs involved in shifting from one job to another, and to establish training and retraining facilities adequate to handle immense turn-over. All of these presuppose the development of an adequate Federal employment service.

Of these, the most pressing is the need for an adequate system of unemployment compensation. Three proposals are currently before the Senate: (1) that embodied in the Kilgore bill for interim emergency unemployment benefits of practically unlimited duration; (2) that in the George-Murray bill establishing Federal standards (though in the latest version these standards are not specified); and (3) that recently enunciated by the George post-war committee for an improvement of the standards of the State laws with a Federal guaranty of the solvency of State funds.

In this connection I regret exceedingly that the urgency of adopting legislation for an improved system of unemployment compensation received no more than lip service here in the Senate even on the part of some liberal Senators.

Senator MURRAY. Right there, Mr. Frankensteen, I think you are making a very serious mistake in your observations. I have remained here in Washington in an effort to work out this legislation, and I am doing everything in my power to get legislation that it may be possible to have passed in the Senate. There is no use going into the Senate or into the House with legislation that will not pass. It is a very highly technical job. The experts on labor legislation have not yet produced anything. Now, I do not see why you should try to single out some of these Senators who have been working hard to get this legislation ready. I do not see why you should criticize them when they are doing everything in their power to work out legislation here that will be helpful to labor. You say—

Several Senators, including yourself, Senator Murray, Senator George, and Senator Barkey, stated publicly that they favored the postponement of the recess until after the passage of such legislation.

Well, of course, I was anxious to have a postponement of the recess. The fact that I remained right here is an indication that I meant what I said in that regard. It is not an easy thing to work out this legislation.

Mr. FRANKENSTEEN. Senator, my remarks here are not questioning the fact that you, as others did, and as Senator Vandenberg, for example, wrote W. G. Grant, president of Local 600, U. A. W.-C. I. O., on May 18:

I made a statement on the floor of the Senate Monday that the bill for Federal unemployment insurance (to supplement State unemployment insurance funds) should be brought to passage within the next few weeks and that there should be no consideration of a congressional recess before this action is concluded.

Senator MURRAY. Yes.

Mr. FRANKENSTEEN. All I am saying in this is that it was not done, we did not get it, and the action was not taken. Now certainly the Senate is responsible for the adjournment.

Senator MURRAY. You say it is responsible for not getting the legislation before recess?

Mr. FRANKENSTEEN. For not carrying through.

Senator MURRAY. You are very gravely mistaken there. The Senate can only pass legislation which can be formulated and which can be presented to the Senate for action on the floor. If you haven't got it ready, how can the Senate act on it? You cannot grab a bill off the shelf as you can go into a cigar store and buy a cigar, and put it through the Congress. It requires a great deal of time, care, and study to work out these things. They are highly technical; you know that. You know that the States are opposed to this legislation, and we are trying to work it out in such fashion that we may be able to get by with it in the Senate. We think we may be able to get a bill ready in a few days or a few weeks so it will be ready when the Congress returns. I don't think there has been anything lost by reason of the recess which has been taken to allow the Republicans to hold their convention and the Democrats to hold their convention because, in the meantime, the work is going on in a study of this legislation, in a real effort to work it out so it can be presented.

Mr. FRANKENSTEEN. Senator, it is true that many Senators did make that statement, and you were one.

Senator MURRAY. Yes.

Mr. FRANKENSTEEN. That you felt the adjournment should not take place until this action is concluded.

Senator MURRAY. We were talking about a full adjournment. They were talking about adjourning from that time until a very much later period, but they changed their plans on that, because they merely took a recess until after the conventions, so that in the meantime the legislation can be processed to presentation.

Mr. FRANKENSTEEN. Maybe I am overanxious because of the problems we are facing, but they are so critical and so realistic that I could not help but make that statement.

Senator MURRAY. I appreciate that.

Mr. FRANKENSTEEN. Maybe I cannot understand the delays when so much is involved.

Senator MURRAY. I appreciate your earnestness in this matter and your sincerity, but I want you to feel that we can be sincere, too.

Mr. FRANKENSTEEN. I do not challenge that.

Senator MURRAY. We are not trifling with the people of this country in our effort here. Many of us are overworked. You ought to realize that it is not fair for you to make any insinuations against people here who are honestly and sincerely trying to do a job.

Mr. FRANKENSTEIN. I will say once more for the record, Senator, I have never questioned your sincerity. I know your standing, how you work, and I know how hard you tried to put through the legislation. That is true of a lot of other Senators, but I cannot help feeling that there has not been adequate time put in—not by you, I know you worked holidays and every day yourself, as has your committee, because I appeared on this problem—but there has not been sufficient realization of the need of action on this problem. Certainly it has been pending so long that we had a right to expect some action prior to this reality of the situation being upon us.

Senator MURRAY. I realize you feel that way, of course. As I said, it is such a technical matter, such a controversial subject, that it is not easy to work out. It takes time. We have prepared a dozen drafts of legislation, each time to find defects in it. We are still working on it. So I want you to feel that we are sincere and honest and energetic in what we are trying to do here. I thank you very much. Go ahead.

Mr. FRANKENSTEEN. Turning now to a somewhat longer look at the airplane industry, I should like to consider some of the problems involved in the future development of the industry. With respect to the three major portions of the industry—relating to the production of military planes, of transports for scheduled air line use and of private planes—I shall discuss principally the question of planes for private flying. The extent to which the production of military planes continues after the war is a problem for the Army and Navy to decide. Most of us would like to look forward to a peaceful world in which the Military Establishment need not be large. But the experience of the last few decades suggests that it may be a long time before this end can be achieved. We are, therefore, prepared to accept the position that the Army and Navy will insist on a much larger production of military aviation equipment than before the present war.

The volume of the production of transports for scheduled air lines depends upon factors which again are largely out of our control. The Civil Aeronautics Board has made an elaborate study of the possibilities for the development of feeder and pick-up lines which appears to be one important direction in which transport flying may develop. Most conducive to an expansion would be significant reductions in rates, particularly for air express. These now run five times or more as great as Railway Express, with the result that volume is unnecessarily restricted. Control of air express by the Railway Express Agency is a dominant factor in this situation. Reduction in air-mail rates to the regular 3-cent rate and with a change in post-office procedures so that all first-class mail would go by air, whenever it could do so more expeditiously, will greatly increase the volume of air mail carried. The introduction of air parcels post would be similarly helpful in stimulating air transport and would be one lever in forcing a reduction in express rates. Rates for passenger travel, now down close to the Pullman rates, can and should be further reduced.

The development of a large industry producing planes for private flying depends in the first instance upon developing and maintaining a high level of consumer purchasing power. The importance of the large volume of purchasing power has a much wider significance than this statement would indicate. It is the principal problem of postwar economic policy. It is with this end in view that the C. I. O. is pressing for high wage rates and for guaranteed annual earnings in one form or another. According to Government statistics, a total of almost 90 billions went in 1943 for wages and salaries (excluding agriculture). Taking manufacturing alone, with which we are now principally concerned, wages and salaries for 1943 amounted to $46,796,000,000. This is total earnings, the sum of the take-home pay to all workers engaged in manufacture.

When we return to peacetime production, we can expect a very substantial falling off in these figures even if there is no decline in wage rates. Assuming the same percentage of premium overtime pay as in 1939, the total of wages and salaries in manufacturing would be only $38,770,000,000, or a 5-percent reduction. Falling back to the same average weekly hours as was worked in 1939 would cause a further 15-percent reduction to $32,632,000,000. If, further, we return to the same percentage distribution of industry as before the war—if, that is, workers shift back from manufacturing to trades and services, and within manufacturing from the higher-paid industries like shipbuilding and automobile production to textiles or other lower-paid industries—there would be a further drop of 20 percent in total salaries and wages. Thus, taking these three factors into account, the total of wages and salaries in manufacturing may fall by as much as 40 percent, even if there is no change in wage rates and even if there is no net reduction in employment.

The importance of raising wage rates is, therefore, apparent. It is demanded not only by the necessities of the workers as a group, but by the necessities of the economy as a whole. Specifically in connection with the production of airplanes for private flying, how can we expect to build a large and strong industry unless a large proportion of consumers have the wherewithal to buy the output of the industry?

There is nothing fantastic about the idea of raising wage rates during this period. On the contrary, the increase in the productivity of labor in war production has now become so great that it is high time that labor obtained some of the benefits directly. In the case

of airplane production, productivity per man-month has risen by some 300 percent, and in the case of the west coast plants alone the rate has been about 500 percent. For the west coast plants, the average airframe production per worker in January 1941 was just under 19 pounds. By January 1944 this had increased to 118 pounds. During the war, labor has foregone its usual privilege of sharing, in the form of increased wages, in rising productivity. We have accepted the Government's policy of equal sacrifice. Now, however, with employment and purchasing power beginning to drop off and with every prospect of severe declines in the future, we feel that both justice and necessity require a return to the customary relationship according to which wages go up with rising productivity.

A second prerequisite to a sound development of private flying is an extensive Government research program, with a pooling by the industry of technical developments. There already are small planes that are extremely easy and safe to fly—so easy, in fact, that the Army has not wanted to use them for training purposes—and there has already been some investigation into the possibilities of developing a roadable plane. Such work has been done almost exclusively by individual plane manufacturers rather than by the Government. Government research, both before the war and even more so during the war, has been concentrated upon developments for military type ships. After the war, there is reason to believe that the War and Navy Departments will see to it that research along these lines is continued, but they have little interest in the development of the kind of plane which you and I would like to own and fly. There is need for some reorientation on the part of the work of the National Advisory Committee for Aeronautics, or for the development of a research program under the auspices of the Civil Aeronautics Administration. It seems clear that this work should be in the hands of a civilian agency.

With respect to the pooling of industrial technique, this would be simply an extension of what has been done during the war through the Aircraft War Production Council. Restrictive policies which would keep new techniques in the hands of a single company as long as possible are needed only in a restricted market. If we succeed in getting an economy of full employment, the gains from a restrictive policy will be outweighed by the advantages of universal adoption of improved equipment.

A third area in which activity is necessary in order to insure a healthy post-war private flying industry lies in the development of a much needed airport program and the provision of other flight aids, including flight strips along highways, control devices, and airway markers. Thus far the location of airports has been almost exclusively related to the needs of transport flying. Even from this standpoint a considerable expansion and improvement is in order so as to increase the utility of air transport. From the standpoint of private flying there is a whole new field to be developed. This calls for an integrated program involving at least the Bureau of Public Roads and the Civil Aeronautics Administration. Airfields now maintained by the Army should be considered for their feasibility in connection with this other use.

A greatly enlarged civilian pilot training program is a fourth need. Other countries have gone much further than we in stimulating civilian

interest in flying. In Germany and in the Soviet Union, for example, flight instruction has been very general in the schools. Here again coordination is needed among the agencies interested, in this case particularly the Civil Aeronautics Administration and the Office of Education. If, as the Army is inclined to believe necessary, we must have universal military training after the war, flight instruction should certainly be a part of it. Such a development, in my judgment, need not preclude a civilian training program of a less intensive sort. Indeed the Army program would benefit by a preliminary acquaintance with planes and engines on the part of those coming up for military training.

The widespread development of interest in aviation and training, not only in flying but in aviation mechanics, offers an important outlet for those types of aviation equipment which will become surplus as the war terminates. No Government agency is at present equipped to push for the fullest utilization of such equipment in the schools and colleges. The Civil Aeronautics Administration, in cooperation with other interested agencies, should be authorized to develop such a program and to present the needs of such a program to the Surplus Property Administrator.

Similarly, it is possible that some of the present airplane plants could be effectively used in this connection. It is inconceivable on the most optimistic premises that the post-war aircraft industry will utilize fully the plant and equipment now in use for the production of military airplanes. Much of it can be utilized for other productive purposes; just what can be produced in present airplane plants seems to me a problem which private enterprise is peculiarly fitted to solve. In this matter, I am prepared to trust the inventive and business genius of American enterprise. Wherever productive uses are not possible, however, I suggest that attention be directed to the possibility of turning the plants into educational institutions equipped for training in the field of aviation from start to finish. In some instances, these centers might be taken over by private institutions such as universities, but in most instances they would have to be operated as part of the educational system and with a considerable Federal subsidy. Such use would be an appropriate recognition of the stake which the Federal Government has in these plants.

In conclusion I should like to urge the formation of a national aircraft development council. This might be looked upon as a peacetime version of the Aircraft War Production Council, though in structure it should be essentially different. Instead of being limited to industry representatives, it should be a tripartite body, with labor and Government members in addition. The purpose of the council would be the fullest possible development of the post-war aviation industry with particular reference to civilian use.

I should also like to make a suggestion, Senator, so that you would not think I have any prejudices. I would like to ask you to undertake this type of movement. It seems to me we are going to have to move to the industry levels, to the community levels, on these termination and cut-back problems. I believe it would be most helpful if in every aircraft center in the United States you would move in and call conferences of the community, of the industry and labor, and have a frank discussion of just what work they might move into, what the termination possibilities are, and what the community can provide. We

are specifically requesting that you do this on the west coast, as Brother Michener will point out in his testimony, but I would like to point out that you move with us on a national basis in all communities.

Senator MURRAY. I believe that is a very good suggestion, and we contemplate taking that up.

Mr. FRANKENSTEEN. Fine. There might well be, for example, such a council in California, the State which faces this problem in its most critical form. I propose to do everything in my power, and to urge on my associates to do everything in their power, to organize and develop such joint councils.

At this stage of the airplane industry, it is next to impossible to predict with any accuracy the rate at which the industry will grow. We are now at about the point at which the automobile industry was in 1901 or 1902, in terms of number of private planes registered. If the number of planes increases at the rate of the fastest expansion of the automobile industry—namely, 45 percent per year, it would take 10 years to reach the level of 1,000,000 planes. At a rate of 25 percent per year, there would be less than a quarter of a million planes by the end of the tenth year. With variations as great as this and with all the uncertainties ahead, it is obviously impossible to estimate the size of the post-war industry. What we can do is to set about developing the governmental and other procedures which will guarantee as large an industry as possible. It is with this thought in mind that I have recommended a coordinated approach among interested agencies to problems of training and research and have suggested the formation of a National Aircraft Development Council.

The committee will be interested to know that I have already obtained agreements with Mr. Donald W. Douglas of the Douglas Aircraft Co., Inc., and with Mr. Henry J. Kaiser for a cooperative approach to the problems of the post-war industry. These agreements are obviously not enough in themselves, but point the way toward a larger cooperative relationship which, when expanded to include a number of companies, should also bring in representatives of the Government.

Mr. Michener, the west coast regional director, U. A. W.-C. I. O., will next address you. I might say I have met with Donald Douglas and Mr. Henry Kaiser, and both of them are very willing, in fact anxious, to sit down in a tripartite form of discussion and see if we cannot work out something that will meet the problems of the industry. They have both expressed a willingness to see me and work out the problems.

At this time, Mr. Chairman, with your permission, I would like to ask Mr. Michener, who is the director of the U. A. W., west coast region, to supplement this statement with some pertinent facts pertaining to the west coast.

Senator MURRAY. Thank you, Mr. Frankensteen.

SUPPLEMENTARY STATEMENT ON PROFITS OF AIRPLANE COMPANIES

(Submitted by Mr. Frankensteen, July 20, 1944)

The United Automobile Workers, Congress of Industrial Organizations, has never denied that profits per dollar of sales made by aircraft companies during the war have been comparatively modest. Such companies could scarcely have expected to mark up a return for themselves on Government investment in plant, equipment, and materials which was required to meet production demands. Having refused the risk of this investment they cannot with good logic demand the profit which is presumed to reward the taking of risks. That is why aircraft profits before taxes increased no more than 1.797 percent on a sales increase of 2.466 percent.

Current market prices of aircraft corporation stock cannot be accepted as reliable indices of the industry's increased profitability. In 1940 aircraft common stock prices were sharply inflated by the prospect of booming wartime business—in 1944 the anticipation of post-war contraction produces a contrary effect. In addition the withholding of dividends to pile up surpluses has tended to keep market prices of aircraft stocks below levels which could be justified by present phenomenal rates of return on net worth.

Our own analysis of 1943 profits made by 24 leading aircraft corporations shows an average rate of return on net worth amounting to 41.5 percent.

Analysis of 1943 income of 2,625 leading corporations made by the National City Bank of New York shows aircraft industry enjoying the highest rate of profits of any corporate group. Average return on net worth for 30 aircraft companies amounted to 36.8 percent. In second place stood shipbuilding industry with a rate of 25.6 percent. Average rate of return for all corporations analyzed by National City Bank amounted to only 8.6 percent.

Thus aircraft industry is now operating at rate of profit more than four times greater than the average of American corporations.

Senator MURRAY. You may proceed, Mr. Michener.

STATEMENT OF LEWIS MICHENER, DIRECTOR OF WEST COAST REGION 6 OF THE UNITED AUTOMOBILE WORKERS, CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. MICHENER. Mr. Chairman, I would like to take a few moments of your time at this time to report on the west coast situation.

I am in complete accord with the report submitted to your committee by Mr. Frankensteen, national director of aviation for the U. A. W.-C. I. O., and want to add my voice in requesting that your committee consider the merits and seriousness of that report.

In appearing before your committee, I want to stress the seriousness of the west coast aircraft situation. I am in daily contact with that problem and I am serious when I report to you that the problem is becoming increasingly alarming.

I wish to quote an official of the North American Corporation. He said:

If North American or any other aircraft company maintains 5 percent of its present pay roll in peacetime they will have done a very good job.

That, in general, represents the majority of thinking of the west coast aircraft industry.

What does this mean to the war effort and to the post-war era? First, with an approximate estimated pay roll of 232,000 workers, this means that only 11,600 workers would remain on the job. Add to this picture the returning aircraft war veteran and you have a glimpse of the gloomy future of the west coast aircraft worker. His morale is fast becoming broken and this is having its effect on the war effort.

R. J. Thomas, president of the U. A. W.-C. I. O., recently stated:

Any reconversion legislation, if it is to obtain the support of labor, must contain the following principles:

1. The basic need to continue war production.
2. The determination to keep the goal of expanded production and employment as its major objective.
3. Recognition of the importance of labor-industry-Government cooperation.
4. Recognition of the need for protecting small business.

I subscribe to these principles wholeheartedly as a sane approach to the problem. I say that the time has arrived in the aircraft industry to start planning now for the post-war period as the basic means of maintaining war production, while at the same time holding out a ray of hope for the future destiny of all who wish to remain in the aircraft industry.

Reconversion is not a post-war problem. It is a wartime problem. in some industries, reconversion is performed during the war period itself. In others, like the aircraft industry, it must, at least, be planned for during the war period. Successful reconversion, successful planning for reconversion during the war, is home-front victory which measures up to battle-front victories.

Thus far, in the aircraft industry, nothing has been done. Thought given to the problem, thus far, is of a character with defeatism and pessimism. Low post-war employment figures are considered realistic by management representatives. This is proved by the planless wage and staff cutting which can only mean that aircraft management fails to realize they can continue to be big industry in the post-war world.

Reconversion, planning for reconversion is labor's problem and management's problem. But it is management's responsibility. We do not presume to tell management what kind of product they are to make in the post-war world. That is their job, to be determined by their engineers, by their directors, and by their understanding of what the foreign and domestic markets need.

Planned reconversion may be spelled three ways. For labor, it spells full employment and an end to the insecurity of the thirties. For management, it spells operating costs and profits and expansion. For the general public it spells universal peace and prosperity, and production of consumer goods it wants at prices it can pay.

Planning for reconversion requires the utmost in sympathetic, cooperative action from among representatives of labor, management, and the Government. On an international scale, which is related directly to foreign markets, it requires the continued existence of the understanding and cooperation among the United Nations that already promises us victory in the war.

I therefore propose the following for your consideration:

1. A survey by management and labor to determine how many present aircraft employees will want aircraft employment in southern California in the post-war period.

I may pause there to say that I was very pleased to learn here yesterday that some preliminary work has been done in this direction. However, I believe, where there are collective bargaining contracts with management of the southern California aircraft plants, that such a program would result in much better results with the cooperation of joint management and labor in that connection.

2. Reconversion, or full employment plans, must think not only in terms of full employment of all now working who want jobs in the post-war period; it must also think in terms of jobs for our 10,000,000 servicemen.

3. Joint labor-management support of proposed Federal financial support to reconvert plants to peacetime production with the least tension on the national economy in terms of the retooling period, terminated contracts, and unemployment.

4. A survey of domestic and foreign needs of military and commercial planes in the post-war period and a planned campaign to spread that work equally.

5. Immediate national surveys of the possible sales market of family planes to the more than 300,000 trained civilian pilots who will be at liberty after the war.

6. A plan for free, national pilot training for civilians under Federal Government auspices after the war to further increase the number of potential plane buyers.

7. Implementation of the program of the U. A. W., C. I. O., and the National Aeronautical Chamber of Commerce to establish landing fields and plane-servicing facilities in every town and hamlet after the war, so that family-type planes can be utilized to the utmost; to be carried on as part of the national public works program.

8. Payment of severance pay—that is, increased unemployment insurance, either by management or through congressional action, such as that proposed by the Kilgore bill—for those workers who must be laid off during the retooling period.

9. Equitable distribution of all work through a shorter workweek, but without recourse to wage cutting or slashes in present take-home pay.

10. Setting post-war employment sights on a goal of 1,000,000 workers in aircraft production and another two or three million more in servicing and other auxiliary lines.

11. Utilization of all available plant facilities, not required for domestic and foreign military and transport plane production and family-plane production, for the production of other needed consumer goods—outlets to be provided through effective central planning agencies.

12. Calling of a meeting of labor, management, and Government representatives in southern California at the earliest possible moment to jointly devise and present a program designed to provide full employment for labor and full operation for management.

I want to urge that you consider this program with special emphasis on the last point. I believe your committee should get a first-hand view of the situation as quickly as possible. I know labor will cooperate in such a meeting. I am sure management, civic, and other interested parties would also cooperate.

In conclusion, the reconversion problem, in my opinion, represents a chain of three links: One link represents Government; one link represents management; and one link represents labor. A chain, it is said, is only as strong as its weakest link. Therefore, Government, industry, and labor must all work together to make that chain secure; to guarantee a sane, workable reconversion plan for the future security of our Nation.

Senator MURRAY. Thank you, Mr. Michener. I think you have made some very good recommendations there. I might say our committee is contemplating holding those conferences that you recommend.

I also thank you, Mr. Frankensteen.

Does that conclude your statement?

Mr. FRANKENSTEEN. Yes. Thank you very much.

Senator MURRAY. I think, with a few exceptions, your statement was a very excellent one. I might say that the few exceptions may be regarded as incompetent, irrelevant, and immaterial.

Mr. FRANKENSTEEN. Very good. Thank you very much.

Senator MURRAY. The Supreme Court would call them obiter dicta. I am sure we can get along all right.

Mr. FRANKENSTEEN. I appreciate your cooperation, and I thank you.

Senator MURRAY. Mr. Brown.

STATEMENT OF HARVEY W. BROWN, INTERNATIONAL PRESIDENT, INTERNATIONAL ASSOCIATION OF MACHINISTS, AMERICAN FEDERATION OF LABOR

Mr. BROWN. Honorable members of the committee, these are comments and answers by me to eight questions:

Question 1. To what extent is it necessary to achieve better coordination between the cut-back program of the Navy Department and that of the War Department? How can this best be achieved?

Answer. Better coordination between the Navy Department and the War Department on cut-backs is absolutely essential if we are to prevent unemployment and secure maximum utilization of facilities. Production of aircraft during this war has been scheduled and controlled through the Joint Aircraft Committee, consisting of Army and Navy representatives. A great degree of integration has been achieved between the Army Air Forces and the Navy Bureau of Aeronautics. This procedure enabled the manufacturers to integrate production with the flow of materials, planning of manpower requirements, flow of component parts, and the proper organization of their subcontractors. This coordination has resulted in a remarkable record of production in spite of the failure to meet all original production schedules which, in many cases, was due to an unrealistic and inequitable program for the industry.

Now that we are facing, and, in some areas, already in the midst of a period of declining manpower requirements and cut-backs in the aircraft industry, it is even more essential to plan for the better coordination of Army and Navy on their procurement policies. In order to do this, I suggest the following:

(*a*) The procurement agencies should plan, wherever possible, to reduce the huge contract backlogs in some companies by transferring work to plants which are facing cut-backs or contract run-outs.

(*b*) Whenever a procurement agency intends to release a contractor from the aircraft program, there should be some attempt to retain this contractor, either as a sub or prime, in another expanding program. For example, in the Brewster Aircraft situation, it would be sensible to secure work for the Brewster Co. on some Army Air Corps contract when the Navy had no further need of the Brewster facilities and manpower.

(*c*) In order to achieve this coordination and readjustment of schedules, I propose that the newly created cut-back and reconversion committee of the War Production Board, composed of the Services and the War Production Board representatives (known as the Production Executive Committee Staff), be empowered to work out such an arrangement whereby joint procurement agency planning can be instituted before cut-backs and cancelations are even contemplated.

(*d*) In addition to coordination between Departments, it is absolutely advisable to achieve such coordination within the individual procurement agencies themselves so that when one company is being eliminated from any specific program, definite consideration shall be given to the use of these facilities and manpower for other comparable work in the agency's program.

Question 2. Once it is decided to cut back a given program by a given amount, what yardsticks should be used in deciding which companies are cut and how much each company is cut?

Answer. The following criteria should be used:

(*a*) Cuts should be made in companies and areas where the release of facilities and manpower can be readily adapted to other production uses.

(*b*) Definite consideration should be given to those companies who have done the best job on subcontracting, and the cut should be so made that the least amount of burden falls upon those companies who have gone in for a large-scale program of subcontracting. When instituting a cut-back, some stipulation should be made to prevent prime contractors from distributing a disproportionate burden on the subcontractors.

(*c*) The labor area should definitely be considered, attempting to relieve tight manpower areas through reduction in war contracts. (However, I do not wish to be interpreted as endorsing any policy which contemplates using this as the only criterion, and which ignores the tremendous waste involved in breaking up companies or teams of workers already within a factory. I have always been in support of the idea of bringing the work to the workers in these plants, rather than blacking out establishments indiscriminately, on the theory that these workers will eventually drift to the proper jobs.)

(*d*) The community affected by a cut-back must definitely be taken into consideration whenever there is a choice of where a cut-back should be made. It appears to me to be logical to avoid making ghost cities out of thriving industrial communities.

At this point, I should like to introduce a consideration which answers also, in part, question No. 4. The threefold responsibility of the Government concerning workers who have migrated to war production centers is: (1) To aid in the removal of surplus workers from overcrowded and depressed areas; (2) insofar as possible, to relocate them in areas where jobs are available; and (3) to curtail the out-migration movement occurring in essential war production areas at the present time. Formulation of a plan which would adequately handle these three aspects of the matter would involve payment of transportation expenses under two sets of conditions: (1) Transfer of workers to employment or training in other localities upon referral by the employment service; and (2) return of workers to their previous surroundings when the employment service cannot find jobs for them. Thus workers who have been encouraged to leave their homes to seek war employment will either be assisted in finding jobs, or will be enabled to return to a familiar environment.

(*e*) The cuts should be made in such a way as to provide the greatest possibility for securing other war work in these plants, or the adoption of these facilities for essential civilian production, or other civilian production which does not interfere with war work.

(*f*) Whenever possible, I strongly urge the maintenance of work in privately owned facilities as against Government-owned facilities. However, I do not wish to be interpreted as advocating the complete

disregard of the use of such facilities. This involves a much broader program. At this stage of the war, some protection should be given to the original plants and investments of private companies. Later, the eventual disposal of Government facilities should be geared to the maintenance of full employment.

Question No. 3. What should be the policy governing advance notice of cut-backs for (*a*) the company; (*b*) the subcontractors; (*c*) the employees; and (*d*) other Government agencies?

Answer. There should be a definite advance notice of cut-backs. The prime contractor, subcontractors, and employees should be notified at one and the same time. One of the greatest fallacies in the minds of certain procurement officers—from top to bottom—is that they can notify the contractor at an early date while the employees are informed through dismissal slips or, at best, a few days before being laid off. Workers should not be considered second-class citizens. Failure to treat workers on some kind of an equal basis with their employers leads to loss of morale and misinformation. Generals Marshall and Arnold and Admiral King are going to discover that workers will leave war work in even greater numbers if, through false rumor or improper passing of information, these workers get the idea that the need for war production is over and do not see any well-thought-out plans and programs being adopted for the planning of civilian production. I think that there must be a better integration of the representatives of organized labor in the handling of cut-back procedures. This is not being done at present in any effective manner.

The procurement agencies and the War Production Board should take these people into their confidence and plan the handling of cut-backs in such a way that the workers of this country won't get the false impressions which are mounting in many communities concerning the coming of large scale cut-backs. Brewster is an excellent example. The released workers have been reluctant to take other war jobs since they feel that, in a very short time, the new jobs will disappear. Our records indicate that in many of these cut-backs, workers, especially women, have drifted out of war work and, in some cases, out of the labor market because of failure to properly inform the workers of the reasons for the cut-back, and the complete absence of any sound planning for post-war economic security.

Questions 4 and 5. What provisions should be made for employees who are released from wartime aircraft production; through unemployment compensation; through retraining; through transportation to other localities; through other methods?

How can production cut-backs in aircraft best be integrated and synchronized with the development of other types of war production or of civilan production?

Answer. I should like to answer questions 4 and 5 as a joint proposition, since I feel that the real problem which we face, not only in the aircraft industry but in the entire economy, is the problem of transition from war production back to peacetime civilian production:

(*a*) The lack of long-range planning is especially appalling. I am convinced that if the German war should end tomorrow there would be chaos and confusion in American industry, since there has been no organization set up with authority and power to organize the economy for peace as we have organized for war.

(*b*) In the aircraft industry, the failure to permit many concerns to secure a minimum of material and facilities to develop experimental models for post-war production acts as a brake upon the future of the American aircraft industry. Certain companies have obtained an advantageous, competitive position because, in the performance of their war contracts, they have been permitted to do certain experimental work which, in essence, can be used in the post-war years (especially in the manufacture of war transport and cargo planes which are counterparts to peacetime commercial passenger planes). At the same time, there are many companies completely engaged in combat-plane production and will continue until the end of the war. Then, there are others who have already suffered severe cut-backs but have been denied the right to secure certain materials for post-war experimentation.

(*c*) The Government should create an experimental research committee, composed of America's best aeronautical engineers and technicians, to work out a program on how these aircraft facilities can best be utilized in the manufacture of civilian items. It is very clear that if we are to achieve full employment, it will become necessary to utilize many of these facilities, in addition to the facilities and companies of pre-war status whose interests must be considered and protected but not to the exclusion of public interest which must be predominant.

(*d*) The creation of an over-all national reconversion committee, composed of management, labor, farmer, and Government is necessary to coordinate the various programs of Government agencies and of private companies in the field of planning the transition to civilian production.

If we can achieve some real planning on the transition to peacetime civilian production, then, the secondary questions can be more readily answered:

1. Employees who are released from wartime aircraft production should be utilized first locally or in nearby vicinities in other war work or civilian production.

2. If, in spite of these efforts, the workers must be released from their present employment, war jobs should be found for them through the United States Employment Service. If this means transfer to some other area, the Government or the prime contractor should provide for travel expenses for the individual and family.

3. If we accept the fact that we may face a period of unemployment, there should not only be unemployment compensation, but there should be an improved form of unemployment compensation as provided for in the Wagner-Murray-Dingell bill. The unemployment compensation laws of the various States and private dismissal compensation plans are not adequate to meet the problems that will arise in connection with the demobilization of war industry. Workers are right in feeling that a special situation will exist for which no special program has been adopted. A guaranty to war workers of some form of adequate emergency unemployment compensation is necessary as a war measure to prevent the lowering of the workers' wartime morale and the accompanying manifestations of lowered productivity and increased job shifting.

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Question 6. What are the important steps that the Government and industry can take now to promote the rapid development of civilian aircraft production?

Answer. (*a*) Immediately permit the development of experimental aircraft models for cargo and passenger use.

(*b*) Government should plan to maintain certain plants throughout the country as the Army and Navy have done in the maintenance of arsenals. This would permit the Government to engage in necessary experimental functions and have, in the interest of national defense, sufficient facilities, and trained manpower to maintain the best potential air force in the world.

(*c*) Labor, management, and Goveremnnt should create a planning commission to study our national and international needs in the sphere of civilian aircraft transportation. This commission should be charged with the responsibility of formulating a program for the development of—

1. Air lines and airfields, inclusive of State and municipal projects, to increase feeder-line services.
2. An air force in the interests of national military security.
3. An international policy on aircraft transportation.
4. International air bases, both military and commercial.
5. An estimation of the production needs for such a national and international aircraft program.
6. Special attention should be given to the South American market, as a customer both for our surplus and new aircraft in the development of commercial air lines to cover South America, which is in many respects, inaccessible to us through overland routes.

Question 7. What principles should be followed in handling Government-owned aircraft factories, aircraft, and airfields?

Anser. (*a*) The interests of American national defense should be foremost, which means, as I have already indicated, that the Government should plan to retain a number of aircraft factories and airfields for experimental and preparation purposes. In addition, the post-war location of plants should be based upon some concept of military security.

(*b*) Government-owned factories established during this war should be cut back before privately owned factories in any aircraft cut-back programs. However, these facilities should not be sold down the river at a small percentage of cost to any individual manufacturer. Sale of Government facilities should be made with definite stipulations as to the economic uses to which the plants will be put. We should be guided by our desire to prevent monopoly; prevent scarcity or excess surpluses on the market; deny the uses of these facilities to companies who wish to move industrial plants from present locations in order to avoid high wages and union conditions; and foster the sale of these facilities wherever it helps to achieve the objectives of a full employment program.

(*c*) Defense Plants Corporation should be surveying these facilities to determine how many can be used in a post-war civilian production program which will require production over and above the pre-war capacity limits of the original companies and factories. As the Department of Commerce has pointed out in one of their studies, Markets After the War, by S. Morris Livingston, it will be necessary to increase production almost 70 percent above 1940, the last pre-war year. This means a constantly expanding production program, which, in turn, depends upon the future use of these facilities.

Question 8. What plans should be made for a post-war national defense program for the aircraft industry; through stand-by capacity; through other methods?

Answer. I think it is clear that my answers to the other seven questions cover the points raised in this last question. I think it is obvious, from experiences of the last 25 years, that our Government cannot permit the aircraft industry to go to seed. We cannot permit the security of the Nation to be jeopardized by any of the whims of commerical objectives or of any individual company. Nor can we gracefully bow out of the aircraft picture and hope to regain air supremacy at the eleventh hour, as we did during this war. The Government must retain a sufficient number of plant facilities, equipment, and trained personnel, and must also keep certain private contractors at its disposal in order to maintain a fully developed aircraft program which remains in advance of the rest of the world's developments. To accomplish these goals, the Government needs the support of aircraft manufacturers and workers. From labor's standpoint, this can best be done as follows:

(*a*) In the handling of aircraft cut-backs, the workers should be consulted through their representatives.

(*b*) The workers' needs as human beings and as producers should be given due and fair consideration—as to maintenance of high wages, proper relocation of migrant workers, a comprehensive unemployment compensation system, and so forth.

(*c*) The workers should be brought into the planning of the industry's future, especially in relation to the Government's national and international responsibilities.

(*d*) Planning the future of aircraft must be fully integrated with the planning of our future national and international economy. It is, therefore, more important than ever to have Congress immediately legislate in this direction so that whatever is done in aircraft can be integrated into our over-all planning efforts. This requires, as a first step, the creation of an over-all national reconversion committee, composed of management, labor, farmer, and Government, to integrate the work of Government agencies, planning our post-war economy, and to secure wide democratic participation of the major groups of society in the program.

Senator MURRAY. Thank you very much for your statement, Mr. Brown. I congratulate you on its conciseness and on its being right to the point.

Mr. BROWN. I thank you.

Senator MURRAY. Mr. Thomas Burtch.

STATEMENT OF THOMAS BURTCH, WESTERN REPRESENTATIVE, ARMY AIR FORCES BRANCH, SMALLER WAR PLANTS CORPORATION

Mr. BURTCH. Mr. Chairman, in offering my statement, I would like to express first the interest I have had in the statements that have been presented here this morning. It is gratifying to me to see the interest that is being taken in this very important subject.

May I please preface my remarks to your committee by saying to you that I was summoned from Los Angeles on Saturday, and that the

subject matter of this hearing was not known until my arrival yesterday. Because of this, the remarks I offer have not been coordinated with the Chairman of the Smaller War Plants Corporation, nor with anyone else; hence, they are offered as my individual opinions, for whatever they may be worth.

The war need for material continues, and I have no data upon which to appraise that need volumetrically. I know only that the need is very great and any remarks I make regarding cut-backs and terminations recognizes the priority of war needs, for so long as that need is permanent.

It is very obvious that supply requirements of the armed forces have changed and will continue to change in order to accommodate new items for war and to prevent excessive surpluses of items less acutely needed, or needed not at all.

On account of changes in requirement, many contracts will be, and have been, cut back or completely terminated, and the dollar volume of such cut-backs and terminations is increasing.

At some happy time all will be terminated. But before then, one problem predominates, and that problem is the administration of cut-backs and terminations in such a manner that all of our production facilities may continue to be useful, either for war, or for essential civilian supplies, as warranted.

Where I have been working, in the 11 Western States, but principally in southern California, there are very obvious reasons for concern over administration of cut-backs and terminations. There are over 6,000 plants in southern California predominantly engaged in the war effort.

Most of these are relatively small plants. Principally they service the large air-frame factories. A majority of them are admittedly new. Typically they have neither pre-war product experience and few, if any, of the Western plants have any pre-war cash reserves.

But to man the large air-frame plants and the smaller service plants, and to accommodate the needs of snip construction, immigrant workers by the hundreds of thousands have been employed, and no very great proportion of them intend to return from whence they came of their own volition.

We comprehend that we will win the war definitely, and that adjustments in the airplane and shipbuilding industries will be necessary. We realize that an acute situation will exist, and we are planning every way to lessen the impact.

For this reason, because the west coast must accommodate now, and for a time at least after the war, these very large accretions of people, war induced, there is real concern, principally about the criteria that will be the basis for determinations to terminate or cut back a single contractor, where the items made are the same as being made by other contractors.

The criterion is established by the Army that priority of retention of procurement will be given to plants not situated in group I and II labor areas. This is alarming, because so much of our industrial area, western industrial area, is classified in group I. Areawise, more of it is group I classification than in any other portion of the United States.

Our large and small plants are showing continuingly remarkable increases in efficiency. Our workers have upped their production per man capacity, remarkably. Maybe it is too soon to say that many of our areas are entitled to be reclassified as less than critically acute, but it is now obvious that they will be entitled to reclassification before very long.

If we are going to receive the major share of cut-backs, because of this criterion, then, before very long, it is going to be difficult to sustain satisfactory employment levels, and even then few of our in-migrant workers will leave.

Before the issuance of the Baruch report, I prepared and submitted certain criteria, based upon the west coast point of view and these criteria were:

(*a*) No decision to terminate a contractor shall be based solely upon an allegation of an area manpower shortage, unless the specific contractor may agree that the termination will relieve a manpower situation in his own plant or those of his subcontractors.

(*b*) Attributing only slight, if any, weight to comparative prices.

(*c*) Retention preferences for contractors whose sole usefulness is the continuation of production for war, as compared to contractors, ready, willing, and anxious to reconvert to peacetime production, and for which peacetime production there is available material.

(*d*) Specific retention preference for communities in which war induced population shifts are apt to create the most acute burdens.

Although this was last year's thinking, to me, these criteria still have considerable merit in determining preference retentions.

Mr. Baruch, in his report, suggests:

> Where there have been war expansions, far beyond any possible post-war future, it will be better to cancel war contracts earlier, and begin reducing the bloat, than to wait until it has to be done all at once.

With this we agree. We want to insist, however, that while we have many plants, commenced since the war began, that it cannot yet be said, with any degree of certainty, that there is not a possible post-war future for each of them.

We on the west coast believe in the future of aviation—passenger, cargo, and personal flying. We submit that each era of world prosperity has followed some advance in distribution methods, or routes, and we believe aviation is a new advance in distribution methods, or routes, and that it creates new trade routes, and we firmly envisage a vast aeroplane business after the war and a prosperity to support it. We cannot say, therefore, that the 2,500 plants that exclusively service the air-frame industry may be determined now to be bloat.

Naturally we who believe in small plants like the criterion that extends retention preference to plants employing less than 500 people. That would be fine, for us, if our smaller plants were predominantly prime contractors, but they are not. We, therefore, urge in determining retention preference, a thorough examination of the subcontracting program of the prime contractor.

One air frame termination reacted adversely on four hundred subs and sub-subs, traced geographically to fourteen States. Suppose that two prime contractors were each making this plane, and that the determination to terminate one was based upon location in a group I area. Could this have been sound without first examining the subcontractors, and their locations? Candidly, the Army and Navy appear to be sympathetic to these considerations and I find much to gratify me in their wise considerations.

So much for retention preference. There are other matters, one or two, which I would like to call to your attention.

The first is financing. Mr. Baruch asserts that—

> the lending authority of the Smaller War Plants Corporation, at present restricted to purposes of war production, be extended to permit short-term loans to assist small business in the change-over from war to peace—

and further—

> as a permanent source of credit for small and medium-sized enterprises, on a basis of broader risks than banks can be expected to assume, that the Federal Reserve System's authority to make industrial loans be expanded.

From a grass-roots study of many small west-coast plants, the suggestion that Smaller War Plants Corporation authority be extended to permit short-term loans appears inadequate to the evident needs. Small business, now engaged in war work and intending to convert, needs long-term credits, in which risk to the lender, and to the borrower, declines as the terms of repayment are made easier. Mr. Baruch specifically refers to "a basis of broader risk than banks can be expected to assume." Cannot we segregate this risk and take off the degree of risk that is regarded as excessive by creating a national system of industrial credit insurance that would permit S. W. P. C. to absorb the excessive degree of risk, and let the banks, who understand local conditions and are in a position to service, make these long term industrial loans, much as they made title I, F. H. A. loans? I have talked to some of the large west-coast banks who think industrial credit insurance could very well be the answer.

We are relying upon a wise coordination of all cut-backs and we think it may best be achieved by a concert of procurement agency—S. W. P. C., W. P. B., R. F. C. and W. M. P. C.—action.

We have mentioned both negative and positive criteria, and discussed them, to be used in retention preferences.

Policy relative to advance notices should be calculated to stretch the notice interval as long as possible and should be discussed with the prime and principal subs in advance of notice, and consideration should be given to all other Government agencies whose activities may be effected thereby.

If the smaller plants are enabled to carry through to their peacetime destinies, they will care for many of residual aircraft employees and their skills and arts can be utilized. There will need be unemployment compensation and some retraining, but give the small plants financial backing and much of the need for population reshifting will be mitigated.

Many think and so do I, that production cut-backs in aircraft will occur, except for trainers, only near the end of the war, and it is not considered that occasion will arise to integrate aircraft production into other production for war. Some of the aircraft companies have peacetime items in contemplation and will execute the change-over, when the war pressure is past.

But the world needs air frames, and our production technique and design achievements are superior. If we have to rebuild many of our war-fatigued planes, then give them free to other nations, it would be worth while, from a long-range point of view, in that we would thus capture the airplane-servicing business of the world for many years to come, and the rebuilding operation would support employment levels during the slack period.

The sustaining of the job level in aircraft factories, through this means, would greatly enhance the strength of the industry—they will take care of the growth and development of civil aviation.

Some Government-owned aircraft plants will be needed for excess military airplane storage depots. I think most all of the modification centers can eventually be fully utilized by the air lines for operational bases.

There is not a great deal of doubt about the continuing need for air defense after the war. Some sections of the air frame and engine plants must inevitably be retained for research and development, and, this being surely necessary, the portion of the cost to Government for research and development will decline in the measure that the industry is made strong by other means.

The Army, Navy, and Maritime Commission have been good to our small west coast plants, and we appreciate it and hope that they will continue to be equally considerate. Our small plants are going to need every possible type of help if they are going to fully play their part in job opportunity in the future.

Senator MURRAY. I thank you for your statement, Mr. Burtch. This, of course, will be supplemented and improved upon, I suppose, when you get back to the coast?

Mr. BURTCH. Perhaps.

Senator MURRAY. You will go into it more in detail?

Mr. BURTCH. That is right.

Senator MURRAY. I am very glad to have it now in connection with our present hearing. It is very helpful to us, and I thank you.

(The supplement to Mr. Burtch's statement is as follows:)

(1) Are any war plants on the Pacific coast now out of work as a result of terminations or inability to secure new contracts because of being located in critical labor areas?

A very considerable number of small plants on the Pacific coast are either out of work or have increased open capacity directly attributable to terminations and/or cutbacks. The curtailment of allocations of new procurements to the west coast is making it increasingly difficult for the concerns situated in No. 1 critical labor areas to secure new production items.

(2) Is there labor available for these plants that are shut down or plants having open capacity? Where do they obtain their labor?

In nearly every case of the plants closed down or with open capacity, particularly the smaller ones, an ample supply of labor is available, principally because most of the smaller plants are in the category of neighborhood plants. That is, they obtain their labor directly in the neighborhood in which they are situated, and generally remotely so, so far as principal industrial plants are concerned. There is a great deal of labor which will not work outside of its own immediate neighborhood, particularly so because of the difficulty with and the time consumed in transportation.

(3) Are plants with less than full capacity increasing in number?

The number of plants with less than full capacity continue to increase in number. On November 1, 1943, plants with less than 500 employees used 46 percent of the industrial power load of metropolitan Los Angeles. On May 30, 1944, plants with less than 500 employees were using 26 percent of the industrial power load. The power load over-all showed some increase between these dates. Hence, the idleness and lack of power consumption appears to be altogether within plants of less than 500 employees.

(4) Do these plants with idle facilities and available labor desire to return to essential civilian production?

Plants having idle facilities and available labor are anxious to return to civilian production. The question refers to essential civilian production. The answer explicitly states civilian production. A further answer is that these plants want to return to production, whether essential civilian, civilian, or production for war.

(5) What becomes of the labor employed by small plants when these plants are cut back or terminated?

Much has been said about the evaporation of labor. In many cases, it is alleged that as employment declines in small plants the labor evaporates. Factually, the workers, no longer needed, in a majority of cases, simply stay home. Always they think the plant in which they worked will have need for them again, and habitually most of them were occasional workers only. This type of worker will not go to the United States Employment Service and request referral. He knows that in all likelihood he will receive a referral to one of the large plants, and that he will have transportation problems which are distasteful to him and burdensome, because he has been accustomed in his lifetime to interruptions in work. He would prefer to stay home a month or 2 or 3, in the hope that his original plant will reopen, rather than seek work elsewhere. Typically, he probably has more money in his pocket than he ever had before in his experience.

(6) What is the financial position of these plants?

Of the more than 6,000 plants in southern California, in excess of 2,500 were originated since Pearl Harbor. Perhaps 80 percent of the others have expanded, some many times. Except for the very large concerns with wise and prudent management, most of the plants originated since Pearl Harbor and expanded, and those which existed before Pearl Harbor and have since expanded have done so solely on capital contributed by the stockholders or proprietors, with the exception that nearly every one of them which has expanded has plowed some of the income from sales into new facilities. They have done this with little realistic comprehension of the impact of renegotiation and taxes. The result is that most of them have paid renegotiation refunds and taxes out of earnings for the year subsequent to that in which the renegotiation and taxes were levied. The result is extremely frequent impairment of working capital, and few, if any, cases exist where reserves for taxes and renegotiations were adequate to pay the bill. The over-all picture of small plants is that they are dangerously short of current working capital, and typically, ratios between current assets and current liabilities are unfavorable.

(7) What problems will need to be met to accomplish conversion with the least interruption in employment?

Under the order of first things first, long-term credits must be avilable to the typical small plant if conversion is to be accomplished with minimum interruption. With impaired working capital conditions facing them, long-range planning is out of the question. Most conversion must relate to long-range planning. Conversion to short-range planning is generally a very temporary subterfuge and simply postpones, the principal matter of conversion. The second factor that tends to delay planning for reconversion and reconversion in fact, is the inability to schedule deliveries of machine tools and production equipment and to determine the approximate time that materials will be available for other than necessary war production. Two remedies are needed forthwith: First, available long-term credits based upon economically sound plans for long-range conversion; and second, some basis for a confident prediction as to dates of availability for machine tools, production items, and materials.

(8) You used the term "industrial credit insurance." Will you explain that further?

Appended hereto is a memorandum dated May 21, 1944, from Orville S. McPherson, Director, Readjustment and Contract Termination Staff, to Dr. H. P. Seidemann, special assistant to Maury Maverick, Chairman, Smaller War Plants Corporation, relating to the subject of loan insurance. This proposal by Mr. McPherson has been categorically examined as to feasibility and is regarded as an approach proposal from which could be developed a thorough workable plan to provide long term credits for small business.

MAY 21 1944.

HENRY P. SEIDEMANN,
ORVILLE S. MCPHERSON,

Loan insurance.

The following is the idea which I expressed to you briefly over the telephone on the subject of capital loan insurance by Smaller War Plants Corporation for small business concerns. I will be glad to discuss it more in detail with you if you wish.

1. Small business needs long term credits for the interval after the war and for reestablishment in peacetime production.

2. Banks may not lend their funds upon sufficiently long terms, nor upon the type of risks that are characteristic of small businesses.

3. The appropriately patterned loan for small business is apt to fall within the category of "capital loan," not favorably regarded by bankers.

4. If loan insurance could be offered banks the risk of small business loans could be reasonably apportioned between such an insurer and the banks.

5. Because of the diminished risk this class of loan might become desirable to banks and be declared eligible for Federal Reserve collateral, and be standardized to the degree that they would be fluid as between banks.

6. Because banks are best able to service such loans constructively, and because banks in the aggregate comprise a ready-made vehicle for channeling money into small businesses, the following suggestions have been contrived to provoke thought on the subject of insured small business loans.

7. It is proposed that Congress duly constitute Smaller War Plants Corporation as an insurer and appropriate $25,000,000 as a nucleous insurance reserve, untouchable except in the event of losses.

8. It is proposed that Smaller War Plants Corporation then proffer to Federal Deposit Insurance Corporation members insurance against losses on long-term loans to small businesses in an accumulative amount equal to 15 percent of the principal amount of each loan preexamined and declared eligible by Smaller War Plants Corporation, these accumulated percentages to become blanket insurance to each bank to protect it against all losses sustained from loans made in any one calendar year, the Smaller War Plants Corporation to have the right to limit the rate of interest charged and to exclude organization fees for such loans, and provided that the net accretion to the banks cumulative insurance should not exceed $15,000 on account of any one loan.

9. Insurance against losses to be paid by Smaller War Plants Corporation to be payable in 5-year debentures at 2½ percent interest, warranted as to payment by the United States Treasury.

10. Smaller War Plants Corporation to be paid an insurance premium annually in advance equal to 1 percent of the unpaid amount of each insured loan, computed and due upon each anniversary of the loan.

11. It must be understood that only the reserve, initially acquired during one calendar year, shall be applicable to losses only upon those loans made during that same calendar year.

The next witness will be Mr. Cohu, of the Northrop Aircraft Corporation.

STATEMENT OF HENRY W. COHU, VICE PRESIDENT, NORTHROP AIRCRAFT CORPORATION

Mr. COHU. I will not take up the time of the committee now except to submit a copy of the plan which we have in operation at Northrop at present. In substance, it is the cataloging or inventorying of the scales of the different people employed in the plant, with the location of the part of the country that they came from; and then we get in touch with the different industries which would need that type of individual in the post-war situation.

Senator MURRAY. How long has that been in operation in your plant?

Mr. COHU. That has been in operation about a month and a half. It may not be the answer, but it is a contribution.

Senator MURRAY. This will be incorporated in the record.

(The plan referred to is as follows:)

NORTHROP'S PLAN FOR POST-WAR EMPLOYEE RE-LOCATION

(By LaMotte T. Cohu, chairman of board and general manager, Northrop Aircraft, Inc.)

Relocation of employees whose services cannot be retained for peacetime operations presents the gravest problem now confronting aircraft manufacturers. It is a problem which will grow even more grave when Germany surrenders and war production begins to be tapered off.

Unless manufacturers set up machinery to help these employees find work, the job will be done by others, and probably in ways inconsistent with the principles that have made America great.

Northrop Aircraft believes so firmly in this view that it has already inaugurated a program, unique in the annals of American business, to find a solution to the problem. In effect, the Northrop plan is much like the company's hiring program in reverse. Instead of combing the Nation for personnel, the company's industrial relations department will be combing it for jobs in peacetime industry to which employees can transfer when their skills will no longer be needed to produce the Northrop P–61 Black Widow night fighter, one of the Army Air Forces' newest combat-class aircraft.

The Northrop company, like all others in the aircraft industry, fully expects its plane production to be curtailed as the war draws near an end. Post-war plans anticipate a production volume approximately 10 percent as large as the wartime peak. But, while production will undoubtedly be curtailed before the war ends, it is expected that the armed forces will demand a high rate of production right up to the time of the armistice. To meet schedules in conformance with these demands then, it will be necessary to prevent any general labor exodus from the aircraft industry when peace appears to be in sight.

If, before the war is won, any appreciable number of workers do quit their aircraft jobs to find peacetime employment, the ensuing production slump might easily prolong the war, needlessly cost the lives of thousands of American fighting men, and bring about widespread disruption of our economic system, all at a time when victory will be in the balance. Disastrous as such conditions could be, employees could not be blamed entirely for seeking to protect their futures by "jumping while the jumping is good" if we, as employers, fail to take the lead and do all within our power to bridge the gap between their present jobs and the future.

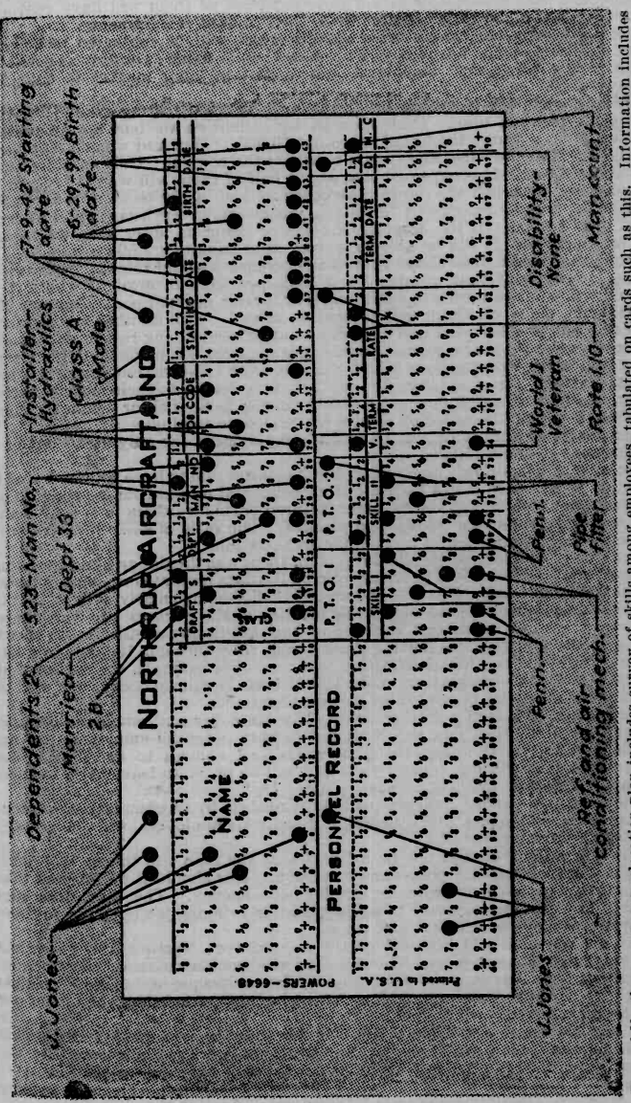
So exacting and all-encompassing have been the demands for warplanes few aircraft companies will have even the designs for post-war planes ready to go into immediate production for peacetime markets. Without designs, without distributors, dealers, or customers, and without reserves that might have been accumulated as "seed money" with which to launch peacetime production, it will be impossible for Northrop and others in the industry to continue employing many thousands of their present personnel. It would, of course, be easy to cut back our organizations to a size commensurate with the volume of business we will be able to secure after the war. But that does not answer the question of the individual worker who must find a place in productive work if American freedom is to survive. It seems to us that all industries—not alone the aircraft—should consider themselves obligated to seek jobs for those who cannot be employed, and just as energetically as the employees themselves were sought in the first place.

We in the aircraft industry scoured the Nation for workers, convinced them it was their patriotic duty to help win the war by building warplanes; we now rely upon them to continue their work as long as our fighting men need their help. It is, therefore, our duty to get ready to assist them in relocating themselves when we have to release them to post-war employment.

The Northrop plan faces this problem realistically and, we believe, humanely. We are already preparing an inventory of skills and trades possessed by our employees. Then when the time comes that other industries are seeking personnel, we will be able to bring these prospective employers and thousands of our employees together for their mutual benefit. We hope that, through our help, the transition for many will be but a week-end affair—that they will finish with us on a Saturday and start their new jobs the following Monday.

Studies made to date indicate that the employee relocation problem will not be as great as it might first appear, for employment applications and other company records provide most of the required information on the individual employee. Nor will locating jobs be as difficult as might first be thought. The Committee for Economic Development, for example, is gathering data on post-war employment and has already found that a surprisingly large number of the varied industries under study will have to increase their employment far beyond their pre-war requirements in order to meet post-war demands for consumer goods.

Northrop subcontractors, too, will provide a large and widely varied group of contacts from, and through, whom personnel requests can be anticipated. Most of these organizations were in business prior to the war and took on subcontracts because the war had killed their former business. As a matter of fact, many present Northrop employees came from such organizations, and it is expected that as the subcontractors go back to peacetime production, the workers will go back to "the old stand."



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INTENTIONAL SECOND EXPOSURE

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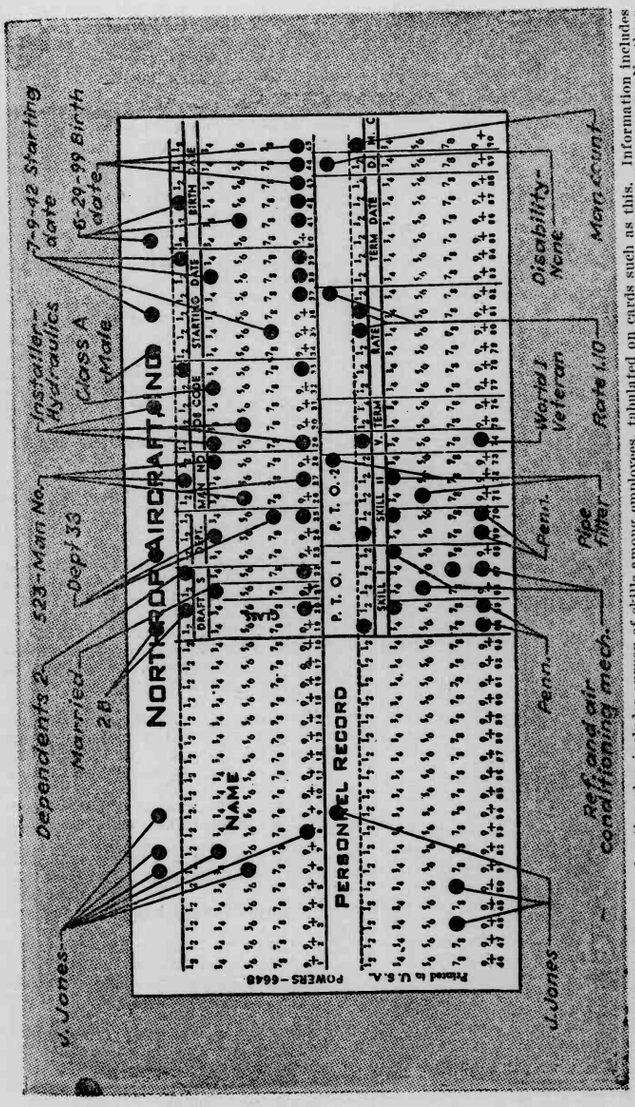

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Still another source of job contacts comes from more than a thousand vendors from whom the company now purchases supplies, tools, stock, and equipment. Virtually all were established before the war; most of them will have post-war personnel needs equal to, or greater than, their present requirements.

There are, of course, many other sources which will be contacted and circularized regularly so that our release of personnel can be made as orderly as possible, thus avoiding "dumping" employees into a glutted labor market to shift for themselves.

In many ways the Northrop organization is an ideal testing ground for this employee relocation plan. Prior to wartime expansion we had approximately 2,500 employees; today the figure is around 10,000. Men and women who have gone into military service, and others to whom the company feels an obligation, total about 2,000. It is expected that about half of them will want to return to the company, although the figure may reach as high as 90 percent. Assuming it will be the first figure, present personnel, plus returning service men and women, would total 11,000. If the company's hopes of going no lower than its prewar level are borne out, it will be able to employ approximately 2,500 people.

Simple subtraction then shows that excess personnel would total approximately 8,500. However, of that number some 3,000 are women, most of whom it is believed will want to return to their homes or former occupations. Another 250 are students, many of whom will go back to school. Still another 900 are men who came out of retirement and who will want or need a long rest or permanent retirement when the war is won. Another group of 2,500 is made up of men from selling and service occupations which did not offer full-time employment when the war started. Most of these men will probably return to their more lucrative former positions, bringing down to 6,650 the excess personnel for whom the company feels it will not be called on to provide peacetime employment.

Thus machinery must be set up to find employment for only 1,850 out of a wartime peak of some 11,000.

Like most other aircraft companies, the Northrop plants have required a wide variety of skills, since it has turned out experimental designs, mass-produced its own and other companies' planes, manufactured parts for others to assemble and worked in several metals, woods, and plastics. The ratio of skills involved will, it is believed, be paralleled in most other organizations.

First step in developing the Northrop plan, then, was the design of a tabulating machine form to which could be transferred all the data required on each employee. Special attention was paid to first and seconds skills—particularly with respect to peacetime employment—and geographic location of the workers' pre-war homes.

One of the most significant features of this tabulating system is its speed, for the modern mechanical sorting devices can riffle through 10,000 cards and collate given skills and locations within an hour. For example, the names of all employees skilled in bricklaying regardless of their Northrop occupation can be picked out of the entire personnel list in some 25 minutes.

This matter of speedily getting prospective employer and employee together is important for unless jobs can be found quickly potential employers will not use the system. And unless the plan works fast enough to avert expensive delays employees will not depend on it and will be prone to leave their wartime jobs earlier than they might otherwise.

Under the plan office quarters will be furnished to representatives of concerns seeking employees and releasable Northrop employees will be granted opportunities to apply for jobs.

By listing skills it should not be inferred that the plan will in any way limit the employee's choice of a post-war occupation. Nor should it be inferred that the company plans to operate an employment agency. The plan does contemplate however giving every possible service in bringing job openings to those Northrop workers who will find it of value.

We hope the plan will help bridge the gap between wartime and peacetime employment for thousands who will want and need such assistance. By bridging that gap we hope we can remove uncertainty for our people and make it possible for them to continue building, right up to the last day of fighting, the planes our air forces must have to win the war.

Just how serious this problem of assuring war industry personnel of all possible help in a quick transition from war to peace time work is underscored by the growing number of totally unfounded rumors which have recently swept west coast aircraft and shipbuilding plants. Fanned by irresponsible elements seeking to capitalize on unrest, some rumors gained such circulation that it was necessary for management to recognize and deny them.

Cancelation of some contracts—largely of a minor nature and due to dwindling need for certain products being replaced by newer materials—have brought about some layoffs. These instances were such a reversal of usual wartime employment conditions that they "made news" and were widely publicized. Coming on the heels of the rumors, these stories provoked considerable uneasiness among war plant employees. More such announcements are bound to appear, and it is entirely possible they may precipitate new waves of job severances—severances that may seriously impede aircraft production and disrupt long-planned military operations. This in turn could easily cause military upsets and prolong the war.

It is to counteract such uncertainty that the Northrop plan has been developed, and it is presented here in the hope that other organizations—both in and out of aviation—may thus be influenced to develop similar programs aimed at achieving an orderly release of excess personnel to post-war employment.

Senator MURRAY. Mr. Callery.

STATEMENT OF FRANCIS A. CALLERY, VICE PRESIDENT IN CHARGE OF FINANCE, CONSOLIDATED VULTEE AIRCRAFT CORPORATION

Mr. CALLERY. Senator Murray, I have a statement that I would like to submit for the record, on behalf of the Aeronautical Chamber of Commerce of America, in connection with aircraft profits which we think have been erroneously stated on various occasions.

Senator MURRAY. Do you wish to supplement your statement by any observations?

Mr. CALLERY. Only that in Mr. Frankensteen's statement this morning he said aircraft stockholders had got back in 1943 about half of their investment. We do not think that accurately tells the story by any means.

Senator MURRAY. Briefly, what is the truth of the matter in regard to the profits made by the airplane industry?

Mr. CALLERY. We look at profits in aircraft as illusions up until the time of the final settlement of the war.

Senator MURRAY. When you come to the final settlement of the war, you are at the end of your string.

Mr. CALLERY. That is right.

Senator MURRAY. If you don't make profits during the few years that you are in operation, you are going to be in a very serious situation.

Mr. CALLERY. That is correct; yes, sir.

Senator MURRAY. Do you wish to make a complete statement on that, or do you wish to submit some statement for the record on it at some time in the future?

If you do, you may send it to us and it will be incorporated in the record.

Mr. CALLERY. Thank you very much. I appreciate it.

(The statement submitted by Mr. Callery is as follows:)

Figures on the aircraft industry which show profits in relation to invested capital give an erroneous impression. A much more equitable way is to show profits in relation to sales or volume of business done. Risks are commensurate with volume. The higher the volume the greater the risk, particularly if capital does not increase proportionately.

The aircraft industry has been expanded to fantastic levels in relation to capital. For one of the largest and strongest air-frame manufacturers, a loss of 4 percent on its 1943 business would have wiped out working capital.

The rate of net profits on sales volume in aircraft is the lowest of any industry engaged in war production. In 1943, the percentage of net income to sales for 24 major aircraft and parts manufacturers was 1.8 percent, according to a survey by the National City Bank of New York. Other industries, such as nonferrous

metals earned 9 percent; petroleum products 6.8 percent; automobiles 3.2 percent; and iron and steel 2.8 percent.

The profits of the aircraft manufacturers during the war period are to a large extent bookkeeping figures. The ultimate profits, if any, can only be determined when all final settlements have been made.

A very substantial part of the bookkeeping profits are still in the business, largely in the form of inventories and other properties which will be subject to drastic shrinkage in values.

Only a small part has been paid out in dividends. In spite of this conservative practice, working capital is meager in relation to the obligations of the business. It is safe to say that the entire net current assets of the industry would not equal 1 month's operating costs at present production rates.

Figures introduced by the Congress of Industrial Organizations on aircraft profits are arranged to make it appear that stockholders and management have been vastly overpaid in relation to the wages paid to aircraft employees. While their approach is an interesting one, it is merely a curiosity, when viewed in perspective. The purpose apparently is to show that management and the stockholders are getting something which belongs to the workers.

As an illustration, using the figures of one of the largest companies in the industry, if all of the salaries paid to all officers and directors during 1943 should be paid to the workers instead, the result would be that each payment of $10 to workers would be increased by 1 cent to $10.01. If all of the net profits to stockholders were to be similarly paid over to the workers, each payment of $10 would be increased by 35 cents to $10.35.

The total payments to all of the officers and directors of this company in the entire year of 1943 amounted to only $2.71 for each employee. In perspective, it is clear that stockholders are not benefiting at the expense of the workers.

Aircraft stockholders have not profited from the war. In fact, they are not as well off now as they were a year or so before Pearl Harbor. There are only two known ways for stockholders to benefit: by increased market value of their stock or by dividends. Aircraft stockholders are no better off today than they were in 1940.

The stockholders of 6 of the largest airframe manufacturers have lost 26 percent in market value from the lowest point reached in 1940. Their dividends have increased 13 percent since 1940. The net result is that the average stockholder lost $6.62 in market value and gained 54 cents in dividends in 4 years. Average weekly wages of aircraft workers, using the figures in the Congress of Industrial Organizations report, increased 47 percent from 1940 to 1942.

Senator MURRAY. I also ask to have incorporated in the record at this time the report of the National Housing Agency on the project at Brewster—at Johnsville, Pa.

(The statement referred to is as follows:)

STATEMENT FURNISHED BY THE NATIONAL HOUSING AGENCY TO THE WAR CONTRACTS SUBCOMMITTEE OF THE SENATE COMMITTEE ON MILITARY AFFAIRS CONCERNING PUBLICLY FINANCED WAR HOUSING AT JOHNSVILLE, PA.

1. *War housing originally programed.*—This plant was constructed in 1941 at Johnsville, Pa., a small rural community located about 12 miles north of the Philadelphia city line. The need for housing for workers to be brought into the community to work in the new plant soon became evident and in May 1941 a publicly financed war-housing project of 300 permanent units (PA–36251) was approved. About a year later when aircraft production at the Johnsville plant commenced, a publicly financed war-housing project of 200 temporary family units (PA–36258) was approved.

2. *Navy requests for additional permanent housing.*—The subcommittee is undoubtedly familiar with the production difficulties of the Brewster Corporation. Shortly after the management of the corporation was assumed by Mr. Kaiser, it was determined to expand operations at the Johnsville plant. In the spring of 1943, Mr. Kaiser and Mr. Frederick Riebel, Jr., president of the corporation, indicated that the proposed expansion would require a minimum of 3,600 additional employees within the next 6 months and that additional housing was required for these workers. The Navy assigned Lt. John W. Kendall, of the senior naval advisor's office in Philadelphia, to work with the Brewster Corporation, National Housing Agency, the War Manpower Commission, and other interested Federal agencies in connection with the problems of housing, transportation, and community facilities required in connection with the operations

scheduled for the Johnsville plant. On April 29, 1943, Lieutenant Kendall met with representatives of the National Housing Agency and the War Manpower Commission to discuss the manpower and housing requirements for the Johnsville plant and requested that 2,000 family dwelling units be provided.

Shortly after this meeting, it was indicated Navy orders would require the Brewster Corporation to produce one-sixth of the Navy's total requirements of certain types of planes. The operations of the Brewster Corporation at its Long Island City (New York) plant were distributed through a group of plants originally designed to manufacture coaches and automobiles. The Long Island City plant was overtaxed at the then level of operations. On the other hand, the Johnsville plant was not then operating at capacity.

In order to meet the production schedules for the Navy, plans were developed by the Brewster Corporation to utilize the full capacity of the Johnsville plant by inducing substantially all of the trained personnel at the Long Island City plant to transfer to the Johnsville plant. At the same time certain types of operations were, according to our understanding, to be transferred from the Long Island City plant to the Johnsville plant. Representations were made to the effect that this shift in operations and personnel from the Long Island City plant to the Johnsville plant was vitally necessary to meet the production schedules of the Navy for planes; that the shift of personnel would have to be accomplished as a large-scale, simultaneous transfer of all personnel involved; and that the shift would have to be effected by September 30, 1943. Brewster and Navy officials were insistent that housing must be provided in time to meet the proposed transfer; that the standard type of temporary construction would not be sufficiently attractive to induce necessary executive personnel, supervisors, foremen, and skilled workers with average annual incomes in the neighborhood of $4,220 to move from metropolitan New York to Johnsville, Pa. These representations were formalized in a letter dated May 24, 1943, from Rear Admiral Ralph Davidson, Acting Chief of the Bureau of Aeronautics, to Charles E. Wilson, Executive Vice Chairman of the War Production Board, and in the letter, dated June 1, 1943, Admiral Davidson sent to the Federal Public Housing Authority. Copies of these letters are attached. Following the receipt of these letters, representatives of the Bureau of Aeronautics, the Federal Public Housing Authority, and the War Production Board met in order to determine the type of construction to be employed. At the request of the Navy, the dwellings were designed for permanent construction, with the understanding that the War Production Board requirements would not be exceeded.

On May 18 the War Manpower Commission certified that there would be an in-migration of 1,600 workers by September 30, 1943, as a result of the proposed transfer of employees from the Long Island City plant to the Johnsville plant. On the following day, the National Housing Agency was advised by Mr. Riebel and by Lt. D. B. Gillies, of the Bureau of Aeronautics, that the Brewster production schedule might be revised to require doubling the number of in-migrant workers and that this should be considered in the programing of additional housing facilities.

On the basis of these certifications and the representations of the Navy and of Brewster officials as to the character of the housing required to meet the special circumstances involved at the Brewster plants, a war-housing program of 1,200 family units was approved by the National Housing Agency early in June 1943. Of these 1,200 units, 500 units were scheduled to be privately financed with insurance provided under title VI of the National Housing Act, as amended, and the remaining 700 units were scheduled to be publicly financed. Subsequently, it was determined to be inadvisable to insure any additional privately financed units in Johnsville, but that it might be feasible to insure approximately 250 privately financed units at Willow Grove, a community located about 6 miles from the Johnsville plant. Lieutenant Kendall advised that the Bureau of Aeronautics, and Mr. Riebel of the Brewster Corporation had indicated, that they would not regard the provision of housing at Willow Grove as satisfactory for meeting the needs of Johnsville plant. As a result, the 500 units scheduled to be privately financed with mortgage insurance provided under title VI of the National Housing Act, as amended, were rescheduled for construction with public funds, thus making the program for Johnsville 1,200 publicly financed family units.

3. *Construction—Size and cost.*—The 1,200 family units thus programmed consisted of two projects—PA–36434 of 700 units and PA–36435 of 500 units—constructed on contiguous sites and served by common utility systems and community facilities. Both projects included one- and two-story structures at an average ratio of 23 percent two-story and 77 percent one-story. The 700-unit

project has exterior walls of masonry construction, wood floors, and pitched roofs. The 500-unit project is similar except for exterior walls of frame construction and asbestos siding.

Construction was undertaken in two stages. PA–36434 (700 units) was started on July 5 under a 90-day completion schedule and PA–36435 was started on August 30 also under a 90-day completion schedule.

Since the two projects are on contiguous sites and are served by common utility systems and nondwelling and other community facilities, it is felt that composite unit costs are more informative than the individual project costs. However, the individual project costs for dwellings is also noted because of the masonry versus frame exterior wall construction which accounts for the difference of approximately $250 per dwelling unit, with the cheaper figure representing the frame construction:

Development costs based on latest regional estimate

	700 dwelling unit, masonry	500 dwelling unit, frame	Composite cost
Total cost	$3,837,165	$2,251,476	$6,088,641
Total cost per dwelling unit	5,482	4,503	5,074
Land per dwelling unit	116	50	88
Dwellings per dwelling unit	3,874	3,623	3,770
Site improvements per dwelling unit	1,029	702	893
Nondwellings per dwelling unit	346	----------	202
Architecture and engineering per dwelling unit	117	128	121

4. *Rents.*—All but 300 of the 1,200 units have been placed in stand-by status. Of the 300 units now in active status, the following rent schedule has been established: One-bedroom units, $34 per month; two-bedroom units, $37 per month; and three-bedroom units, $40 per month.

5. *Occupancy.*—Initial occupancy began on March 11, 1944. On May 29, 1944, there were 1,174 of the 1,200 units available for occupancy. Of the 300 units now in active status, 159 were occupied as of May 30, 1944. Only 53 of these 159 occupied units were tenanted by employees of the Brewster Corporation.

6. *Cut-backs.*—On October 7, 1943, the Navy recalled Mr. Frederick Riebel, Jr. as president of the Brewster Aeronautical Corporation. It was announced that Mr. Henry Kaiser himself was stepping into active direction of the company; specifically Mr. Henry Kaiser, Jr., to be in charge of the Brewster operations at Long Island City and Johnsville.

Several attempts were made by officials of this Agency to find out what changes in programming would result from the change in management but informal inquiries suggested that the terrific labor relations problems that the new management faced so preoccupied them that they could not be expected to have any firm statement to make about housing.

On November 12, 1943, our field representative for eastern Pennsylvania being in the office of our regional representative in New York joined in a telephone conversation with Mr. Henry Kaiser, Jr. Mr. Kaiser assured them that his father and he valued the warm cooperation that they had always received from the National Housing Agency and were eager to be as cooperative with us. He recognized how important it was for us to know as promptly as possible any change in plans that would affect the necessity of going forward with the housing project then under construction.

Mr. Kaiser indicated that they were frankly abandoning the plan to move 400 to 500 administrative personnel from Long Island City, and stated that he and his father were developing a general over-all plan for the future of the plant, which he hoped would be approved by the Navy within a week or two. At the time, 86 percent of the assembly work on Corsair planes was being done in Long Island City, and only 14 percent in Johnsville. He hoped to move all the assembly work to Johnsville. He said that a manpower study was then under way to determine just what the change meant in personnel. He conceded that the contract for planes for the British and the Navy bombers was being canceled, but said they had in consideration an increased program for fighter planes that would more than

make up for the cancelations. Even at this late date, Mr. Kaiser expressed every conviction that every house under construction would be used and assured us that he would let us know promptly of any change in their plans that would affect the need for the housing.

Because there was definite lag in the in-migration of workers for the Brewster plant in Johnsville, our field officials again made inquiry regarding the Johnsville situation. On December 31, 1943, our regional representative in New York interviewed Mr. Kaiser and other officials of the company and at that time, we were informed that they could make no claim upon us to ask for reservation of houses at Johnsville for the Brewster Co., and that if we could find tenants elsewhere, we were welcome to do so. He stated at that time that it would be impossible for the Kaiser interests to keep the Johnsville plant operating under the then-existing contracts.

On February 12, 1944, we received a latter from the War Manpower Commission officially notifying us of the sharp reduction in Brewster employment. This letter came after a month or more of continuous oral discussions between our field representative in Philadelphia and the housing and transportation consultant of the War Manpower Commission regional office in Philadelphia, and regional officials of the Federal Works Agency. In this letter, we were advised that employment at the Brewster plant at that time was less than 4,600, and it was indicated that the number of employees would be reduced to 3,500 during the same month. When the original program for housing was approved early in June 1943, the War Manpower Commission reported a peak employment of 9,000 employees was expected for the Brewster Johnsville plant by March 1944.

By this time the entire project had been practically completed, and it seemed better judgment to finish the job and utilize the housing for workers in the Budd plant in northeastern Philadelphia, which was at that time under consideration for a large contract for cargo planes.

7. *Disposition.*—In view of the change in recruitment plans and the declining employment at the Brewster plant, the National Housing Agency immediately took steps to adjust the locality's war-housing program. On February 26, 1944, the project of 200 public temporary family units (PA–36258) was terminated. The occupants of this project were to be rehoused in vacant units in the other projects. Also the 500 permanent units in PA–36435 were placed in stand-by status on February 28 and 400 of the 700 permanent units in PA–36434 were placed in stand-by status on March 1.

Plans for the disposition of the 200 terminated temporary family units are now being formulated. Contracts have just been awarded for the transfer of 54 of the temporary units to Aberdeen, Md., and 104 of the temporary units to Front Royal, Va. No plans have yet been made for the disposition of the remaining 42 temporary units.

No final plans have been made for the disposition of the 900 permanent family units now in stand-by status. As indicated above, it was believed that there would be a demand for such housing from employees of the Budd Co. While the Budd Co.'s contract for the manufacture of cargo planes has been canceled, some of the units in these projects may still be required for workers in the Budd Co.'s plant which has just been awarded a large contract for the manufacture of military shells by the Army. It is reported that C. Jared Ingersoll, chief of the Philadelphia ordinance district, stated that between 3,000 and 3,500 workers will be required for these operations at the Budd Co. plant. If needed for this purpose additional units may be transferred from stand-by status to active status.

As you know, under the Lanham Act, the Congress has declared the policy that housing built under that act shall be sold and disposed of as expeditiously as possible at its full market value but that such housing or any part thereof shall not, unless specifically authorized by Congress, be conveyed to any public or private agency organized for slum clearance or to provide subsidized housing for persons of low income. Further, under regulation No. 1 of the Surplus War Property Administration, the National Housing Agency has been designated as a disposal agency for all property of the class of housing property (including community facilities built by the Federal Works Agency on the sites of such projects) except housing under the control or jurisdiction of the War and Navy Departments. Under this regulation, disposal agencies are required to first ascertain if any surplus property can be used by other Government agencies. It is possible that some other Government agency, such as the Veterans' Bureau, might have some need for the project.

NAVY DEPARTMENT,
BUREAU OF AERONAUTICS,
Washington, May 24, 1943.

MY DEAR MR. WILSON: The Brewster Aeronautical Corporation has recently completed a survey to determine how existing schedules on the production of British and Navy dive bombers and Navy fighters can be met. This survey has been closely followed by the Bureau of Aeronautics.

The results in general show that most of the obstacles in the way of meeting present schedules can be overcome through the application of vigorous, corrective measures by the contractor. This Bureau feels that Brewster Aeronautical Corporation, under the recently installed management of Mr. Henry Kaiser and Mr. Frederick Riebel, is proceeding satisfactorily in applying such measures.

There is, however, one problem brought to light by the Brewster survey which cannot be corrected entirely by the contractor himself. This is the problem of providing housing at or near the Johnsville plant of the corporation, adequate to take care of the increased personnel which is needed here if schedules are to be maintained.

Brewster Aeronautical Corporation feels that 1,400 new homes of the better type must be started at once in order to be ready in time to assist them materially in meeting their commitments for 1943. They feel that 600 of these homes should be of such a type as will be attractive to executive personnel, while the remaining 800 should be of a type which are attractive to supervisors, foremen, and skilled workmen, whose average annual income is in the neighborhood of $4,220.

Exhaustive, exploratory discussions with the National Housing Agency, Federal Public Housing Authority, and the Federal Housing Authority, have led all concerned to believe that the 600 executive type homes can best be built by private contractors, working under Federal Housing Administrative agreements. It is believed that such homes would cost between $5,000 and $6,000. On the other hand, all concerned, agreed that the remaining 800 homes should be constructed as a Government project under the Federal Public Housing Authority. Brewster Aeronautical Corporation, however, feels that it is essential to have homes for supervisory personnel of a better quality than is provided for by the stereotyped Federal Public Housing Authority permissible plans. After inspection of housing projects currently progressing under the Federal Public Housing Authority program the Bureau of Aeronautics is in hearty agreement with Brewster's contention.

All possible speed is necessary in providing Brewster with adequate housing at Johnsville, if the Bureau is to obtain the scheduled number of airplanes. Accordingly, this Bureau requests that the War Production Board waive the rigid requirements of the Federal Public Housing Authority permissible plans in this instance, so long as such housing is kept within full price limitations of the Lanham Act of Congress.

Yours very truly,

RALPH DAVIDSON,
Rear Admiral, United States Navy,
Acting Chief of Bureau.

NAVY DEPARTMENT,
BUREAU OF AERONAUTICS,
Washington, June 1, 1943.

MY DEAR MR. EMMERICH: It was a great satisfaction to learn this morning that as a result of investigations made under your supervision in conjunction with representatives of the National Housing Agency and of this Bureau, it has been decided to build 500 privately financed houses and 700 publicly financed family units to meet the urgent requirements of the Brewster Aeronautical Corporation for additional housing facilities at Johnsville, Pa.

I am considerably concerned, however, in view of the unusual circumstances resulting from the necessity of housing exceptionally high-grade employees, that you have not been able to relax further the current construction limitations on the 700 publicly financed houses. I do not feel that houses of the design and construction now specified for this group of 700 will in any way help solve Brewster's problem.

Brewster must do more than merely make living quarters available to its employees. To build the Corsair airplane in the quantities demanded by the Navy, the new management must induce its skilled mechanics, engineers, draftsmen, foremen, supervisors, administrative personnel—employees in the higher salaried brackets—to move from their present relatively convenient and comfortable homes on Long Island to rural Bucks County, Pa. They will not do this if PA-36258 homes (Fulmore Heights No. 2) are offered them. This is proven by the fact that out of 145 Brewster employees shown these homes, not a single person has been persuaded to take one. You will agree, I am sure, that it would appear to be a tragic waste of public funds to build these 700 additional homes, now approved, in this fashion when, in view of the reaction of the prospective tenants approached to date, it is doubtful whether it would in any way solve the peculiar problem involved.

I urgently request that you reconsider Brewster's original proposal that the 700 publicly financed houses be of the PA-36251 type as in the case of Fulmore Heights No. 1. I believe that this type of dwelling represents the minimum in spaciousness and comfort, which Brewster will be able to offer with any success as an inducement to its employees to move themselves and their families to Bucks County, Pa.

I am informed that regional officials of the Federal Public Housing Authority, the National Housing agency, and the War Production Board have indicated that homes of the type requested can be built for this project by the Federal Public Housing Authority and that materials sufficient for this number are available. The Bureau of Aeronautics stands ready to assist in this by extending AA-2X and AA-1 priority ratings, where necessary, under its War Production Board program determination 220.

If Brewster is to build Corsair fighters in the quantities required by the Navy, additional high grade production and management personnel must be made available in Johnsville. To do this housing of the PA-36251 type (Fulmore Heights No. 1) is necessary, and it appears that providing satisfactory housing is the only way we can solve this critical war production problem.

I cannot stress too strongly the importance of public housing of the better type to meet the unusual requirements at Johnsville, and I will greatly appreciate your usual cooperation in assisting us to make this available.

Yours very truly,

RALPH DAVIDSON,
Rear Admiral, Bureau of Aeronautics,
Navy Department.

Senator MURRAY. That will end the hearings today.

We will meet again tomorrow morning at the same hour, 10:30, to hear Mr. Wilson, vice chairman, War Production Board, the Honorable Robert P. Patterson, Under Secretary of War, and Artemus L. Gates, Assistant Secretary of the Navy for Air.

We will now adjourn.

(Whereupon, at 12:55 p. m., an adjournement was taken until 10:30 a. m., of the following day, Wednesday, July 12, 1944.)

MOBILIZATION AND DEMOBILIZATION PROBLEMS

WEDNESDAY, JULY 12, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10:30 a. m. in room 457, Senate Office Building, Senator James E. Murray (chairman) presiding.

Present: Senator Murray.

Also present: Charles A. Murray, Bertram M. Gross, Kurt Borchardt, and Scott Russell, counsel to the Senate Post-war Planning Committee.

Senator MURRAY. The hearing will come to order. Hon. Robert P. Patterson, Under Secretary of War, will address us this morning.

STATEMENT OF HON. ROBERT P. PATTERSON, UNDER SECRETARY OF WAR (ACCOMPANIED BY MAJ. GEN. OLIVER P. ECHOLS, ASSISTANT CHIEF OF AIR STAFF, MATÉRIEL AND DISTRIBUTION)

Senator MURRAY. Are you prepared to go ahead?

Mr. PATTERSON. Yes, I am, Mr. Chairman.

Senator MURRAY. You are Acting Secretary of War today?

Mr. PATTERSON. I am Acting Secretary of War today, yes, sir. I have a short prepared statement that I would be glad to go over and then, of course, do my best to answer any questions.

Senator MURRAY. You may proceed.

Mr. PATTERSON. It is well recognized that the tremendous expansion of the aircraft industry during the war, as compared to industry in general, has placed it in an exceedingly vulnerable position with respect to contraction to peacetime operations upon termination of the war. The resulting financial problems, unless properly met, could result in seriously and permanently crippling the aircraft industry.

The aircraft industry is of vital importance to our long-range national defense. Only through its preservation in sound health can we be assured of maintaining world leadership in aviation. It is for this reason that special attention and special consideration must be given to the problems presently under discussion before this committee.

I am glad to give you the current thought of the War Department with respect to these problems. In presenting our views, I shall devote myself to the questions which accompanied your invitation to appear before you today. Those questions all pertain to the aircraft industry and our aircraft program.

Question No. 1: To what extent is it necessary to achieve better coordination between the cut-back program of the Navy Department

and that of the War Department? How can this best be achieved?

It is my opinion that no measures designed to achieve better coordination between cut-backs of the War and Navy Departments are now necessary.

Adequate machinery for such coordination as it applies to aircraft is now provided by the Joint Aircraft Committee and two agencies of the War Production Board, to wit, the Aircraft Production Board and the Production Executive Committee.

The Joint Aircraft Committee, with representatives from the operating and matériel agencies of the Army and Navy, the British, and the Aircraft Resources Control Office, is charged with the coordination of the aircraft programs of the two services, including lend-lease, and the submission of the programs for approval to the Aircraft Production Board, of which Mr. C. E. Wilson is chairman.

In addition to these two coordinating agencies, each playing its part, a third has been established as a result of the directive recently issued to the services by the Office of War Mobilization. That was the directive following the happening of the Brewster case.

Senator MURRAY. Yes.

Mr. PATTERSON. The directive provides that no production cut-backs are to be made before clearance has been obtained from the Production Executive Committee. The Army Air Forces and the Navy Bureau of Aeronautics are represented on that committee and on the committee's staff. The functions of this W. P. B. agency with respect to cut-backs will be outlined at a later point in this discussion.

I might add at this point that I believe that machinery to be adequate on cut-backs between the War Department and the Navy Department. The Joint Aircraft Committee, which is primarily military and an agency of the War Department and Navy Department, decides on the requirements and schedulings. If they indicate a cut-back, the case is then taken to the Aircraft Production Board of the War Production Board, of which Mr. Wilson is chairman, with the Army and Navy represented; and, then, like any other case of a cut-back not merely in the aircraft program but any case of a military cut-back, it goes to the Production Executive Committee of the War Production Board, of which Mr. Wilson is also chairman, which has a staff and is supposed to see whether new work can be put into that plant which has suffered the cut-back, or what is the best disposition to be made of it in view of the total requirements of the war program. That is a summation of it. I think, so far as measures for control and coordination are concerned, they are adequate. That system has only been in effect for about a month and a half, and so far as we can see at the present time, experience seems to show that it will serve the purpose.

Senator MURRAY. What you have described appears to me to be fully adequate to take care of the situation.

Mr. PATTERSON. We believe so, Mr. Chairman. If it proves not to be, we will have to do something else.

Question No. 2: Once it is decided to cut back a given program by a given amount, what yardsticks should be used in deciding which companies are cut and how much each company is cut?

The criteria to be used within the War Department in deciding how a particular cut-back should be allotted as between several producers of the item in question are as follows:

1. The procuring agency will retain until final victory those contractors which it has found from experience to be capable of producing required items at the scheduled rates. The contractor retained in war production until the end of the war must be the best qualified, and all other rules of selection are applicable only among those so qualified.

2. As between qualified contractors, the following factors will be considered in selecting facilities to accomplish the necessary readjustment and curtailment of production:

(*a*) Privately owned plants, not normally engaged in production of a military character, will be given first priority of release from war production in order to facilitate their reconversion to civilian production, due consideration being given to the wishes of the contractors.

(*b*) Government-owned plants will be kept in operation or stand-by until their productive capacity is clearly no longer required for military needs.

(*c*) Insofar as practicable, the release to civilian production of competing units of the same industry should be simultaneous. Many of the consumer durable industries, such as the refrigerator, washing machine, and automotive industries, are in peacetime largely final assembly units. Therefore, in scheduling the release of such facilities, every effort should be made to synchronize with the release of the prime contractors, the release of the normal (peacetime) subcontractors.

I mean by that the feeders to that same plant; if it is a final assembly plant engaged in the washing machine or radio business, very little in the way of return to civilian production will be achieved unless it has recourse also to its normal sources of supply from its subcontractors.

Senator MURRAY. Would that mean that civilian production in any given industry would be held up until all the competing corporations for that particular industry were able to resume civilian production?

Mr. PATTERSON. No, sir. As I understand this—General Echols can correct me if I am wrong—it has to do with integrated reconversion. As I mentioned a moment ago, if the concern that is now engaged in aircraft production is in normal times the producer of some civilian items, largely of an assembled character where it draws its parts and pieces from subcontractors, the thought here is that efforts should be made, if that concern is to be released from aircraft production, to let it have access to the subcontractors that would normally supply it in making its peacetime product. Isn't that right, General?

General ECHOLS. Yes, sir.

Mr. PATTERSON. Otherwise, if it is not synchronized, it probably would be futile to let the main plant cut loose because, if we still were holding the subcontractors on the production of aircraft, nothing would happen.

(*d*) In scheduling the release of plants and industries, full consideration is to be given to cushioning the shock of unemployment. Where other factors permit, priority of release should be given to a plant located in an area or region where displaced labor can be most readily reemployed. Tight labor areas can thus be relieved.

(*e*) In scheduling the release of plants or industries, due consideration is to be given to (1) Security considerations; (2) considerations affecting public transportation, such as accessibility to the sources of labor, raw materials, components, depots or storage facilities, and ultimate destination; (3) the relative unit cost to the Government.

(*f*) In scheduling the release of plants or industries, due consideration will be given to the welfare of small business.

(*g*) Where practical considerations make it possible, companies responsible for the development and engineering of specialized products should be retained in their manufacture in preference to those companies which are merely licensed for their manufacture.

Again, in connection with these yardsticks, I should call attention to the fact that the Production Executive Committee has been empowered by Mr. Byrnes as the agency to clear all proposed cut-backs by the procurement services.

Question No. 3: What should be the policy governing advance notice of cut-backs for (*a*) the company; (*b*) the subcontractors; (*c*) the employees; and (*d*) other Government agencies?

Mr. Byrnes' directive with reference to cut-backs provides that the Production Executive Committee should, as he said—

> * * * adopt uniform policies for the future cancelation of contracts giving reasonable notice to management and labor of such cancelations—

and directs the procurement agencies

> * * * to take prompt action to clear their proposed contract cut-backs and terminations wtih the committee * * * and such cut-backs and terminations shall not be made effective until such clearance is obtained.

The question of advance notice of cut-backs to all parties concerned is one for determination by the Production Executive Committee or its staff, on both of which the War Department has representatives. The definite answer to the question has not yet been made by this agency, since its first few meetings have necessarily been concerned largely with procedures for reporting current cut-backs and with the details associated with cut-backs decided upon before the Byrnes directive.

Prior to the vesting of this function in the Production Executive Committee—and that is before the Byrnes directive—we in the War Department had proceeded as follows:

1. It was considered important that certain other Government agencies should receive notice of any proposed cut-back in an aircraft item which might result in a release of employees or plant, or both, and that such notice be received practically simultaneously with the decision of the procuring service to make the cut. Such advance notice contributes to the most efficient prosecution of the war by speedy reabsorption of the released resources of personnel, plant and materials in some other part of the national economy, either for munitions output or for essential civilian production. In no other way can cut-backs be planned so as to avoid disruption of morale and wasteful periods of unemployment of workers and plant. Consequently, it was our practice to see to it that our plans in such cases were made known promptly, not only throughout the War Department but also to the Navy, the War Production Board, the War Manpower Commission and the United States Employment Service. In addition notice would also be given in appropriate cases to the Smaller War Plants Corporation, the Office of War Information, and others as the occasion might arise.

2. The company was notified of the proposed cut-back as far in advance as possible, and before anyone else outside the Government, in order that it might plan ahead for the smooth execution of the cut-back.

3. The employees received notice from their employers, but not before there had been time to expend every effort to develop adequate plans for their proper and prompt reemployment through the joint efforts of the War Department, the company, and the appropriate Government agencies among those I have mentioned. It is important that public announcement be made of the reasons for the change in program and of the plans being made for other imployment where possible.

4. The subcontractors also received their notice from the prime contractor. Many prime contractors have thousands of subcontractors. Not all of these subcontractors are affected by a cut-back, and the farther a subcontractor is removed from the prime contractor in the successive tiers of subcontracts, the less will he normally be affected by any specific military cut-back.

Senator MURRAY. Isn't it going to be difficult for the prime contractor to give any notice to his subcontractors? For instance, where the prime contractor has on hand a several months' supply of the things that he is securing from the subcontractor, he would have to terminate the subcontractor, would he not?

Mr. PATTERSON. That is true.

Senator MURRAY. He might have a 90 days' notice from the services and yet have to immediately terminate the subcontract.

Mr. PATTERSON. That is true. And yet it seems to us—of course, I am talking now of the system that we had prevalent before the Byrnes directive, placing the machinery in the Production Executive Committee—and yet it seems clear that we are not sufficiently familiar and cannot be with the method of operation of the prime contractor to give direct notice to his subcontractors. Take the Air Force: they may have a contract with, say, the Fisher Co., and the Ordnance has some also, and the Fisher Co. handles those contracts in the way that best integrates their business. I do not think the Air Force could safely give a direct notice to the subcontractors if they were cutting back their contract with the Fisher Co. without being in danger of affecting the operation of the Fisher Co. on other war business or on business of its own. It is more or less the same thing, Senator, when we get into the termination of contracts which we have discussed a great deal. We do not yet see our way clear to handling the termination of contracts with a view, say, to the liquidation or termination of plants, other than on a vertical basis viewing the subcontractor as an appendage of the prime contractor. That is the way all of our contractual relations run, and that is the way all of our production planning is carried on.

Senator MURRAY. Should the Government assume any responsibility in advising or consulting the prime contractor with regard to which subcontracts should be terminated?

Mr. PATTERSON. Well, perhaps we could. I will have to ask General Echols if that has been the practice.

General ECHOLS. I think in certain cases we should and do. From the viewpoint of the aeronautical set-up entirely, we are interested in

keeping, to the extent we can, under the criteria established here. The aeronautical people in the aeronautics business and the people who design, develop, and invent certain items of equipment should be the last to go out, we feel; whereas these people whom we have brought in as licensees and who can go back to civilian industry rather easily should be the first to go out. That should be true all the way down from top to bottom. There are many small subcontractors making some particular piece or part of an aeronautical instrument, we will say, who should be continued in the business.

Senator MURRAY. In order to accomplish that the Government would have to be familiar with the subcontractors and the character of their plants, and so forth?

General ECHOLS. Well, we try to keep familiar with that and we are to some extent, but, as Judge Patterson has stated, there are certain items made by subcontractors which the manufacturer has no prime interest in. He was just given the job to do by the prime contractor, and it is the kind of a job that most anybody can do, that many people could do. We haven't gone too far into that. It is just the special items of equipment that we have watched very carefully.

Senator MURRAY. You may proceed, Judge Patterson.

Mr. PATTERSON. There is always the danger of leaks. A premature leak can be of incalculable harm and can effectually nullify all the efforts for the orderly carrying out of the cut-back, particularly in regard to the adjustment of personnel. Premature disclosure, or disclosure without full statement of the reasons therefor, undermines the morale both of labor and management and can lead to a public impression that the cut-back is due to inefficient management or to unsatisfactory work by the employees displaced. In tight labor areas, personnel quite naturally take the first opportunity to seek other jobs, thereby delaying completion of supplies needed by our troops. Accordingly, we have felt that no fixed rule can be established for advance notification, other than that it should be given as early as may be prudent and practicable.

Question No. 4: What provisions should be made for employees who are released from wartime aircraft production? Through unemployment compensation? Through retraining? Through transportation to other localities? Through other methods?

This question poses problems which to a large extent are beyond War Department jurisdiction. The War Department is in accord with the principle of unemployment compensation for wartime workers released from their jobs as a result of cut-backs and terminations of contracts. I have not made a study of the methods proposed for supplying such compensation or supplementing State unemployment insurance laws. I believe others are better qualified than the War Department to discuss the making of retraining available to war workers and having the Government provide for transportation of such workers to those localities where new jobs exist. Of course, I take it this is not peculiar to aircraft production, but precisely the same problem will be faced with a great deal of other war production.

Question No. 5: How can production cut-backs in aircraft best be integrated and synchronized with the development of other types of war production or of civilian production?

In order to synchronize and integrate concurrent developments, it is essential, first, that there be a central agency charged with that

responsibility; and, second, that this central agency have before it the essential facts.

The creation on May 25, 1944, of the Production Executive Committee Staff fulfills the first of these two requirements, at least until such time as the Congress may pass specific legislation. Administrative Order No. 2–157 of the War Production Board, which created this staff, gave it very broad functions, providing that it shall—

* * * inquire into any feature of production, including its scheduling and the scheduling of components, and make available all pertinent information with respect to coordinated adjustments for the resumption, expansion, or curtailment of production * * *.

The Director of the Office of War Mobilization, Mr. Byrnes, contributed greatly to the powers of this agency by his directive of June 5, 1944, to which I have referred. The result is that we actually have in full operation within the War Production Board an agency charged with the responsibility of synchronizing and integrating production developments.

The next requirement, as I said, is that the agency have before it the essential facts—facts with regard not only to the cut-backs proposed, but also to other types of war production or essential civilian production which it might be possible to place in the facilities where the cut-back is to take place. I think that the membership of the Production Executive Committee Staff will best indicate how these other facts will be developed. The armed services have representatives for: Army Service Forces; Army Air Forces; Office of Procurement and Material, Navy Department; Bureau of Aeronautics, Navy Department; Maritime Commission.

The War Production Board has representatives for: Program Vice Chairman; Operations Vice Chairman; Civilian Requirements Vice Chairman; Labor Production Vice Chairman; Manpower Requirements Vice Chairman; Metals and Minerals Vice Chairman; Smaller War Plants Corporation. Other agencies also are represented, including the War Manpower Commission and the Office of War Information.

A subcommittee, I understand, is being established within this staff, including the staff representatives of the armed services, to deal with the question of interservice exchange of facilities released through cut-backs of military production. Plainly such needs receive first priority. In the absence of military need for facilities released by cut-backs these facilities will become available for essential civilian production to the extent manpower can be supplied. Such cut-backs will become increasingly important as the war draws to a close, and it may well be that the Production Executive Committee Staff can in certain cases suggest regroupings and consolidation of military production in the interest of more orderly reconversion of the economy to a peacetime basis.

Question No. 6: What are the important steps that Government and industry can take now to promote the rapid development of civilian aircraft production?

The Government and industry mutually desire to promote the rapid development of civilian aircraft production. The War Department has devoted much time and thought to the subject with the result that certain important steps have been outlined. This subject covers a large field. I will touch only on that part which pertains to the military.

A most important step is to solve the problem of disposal of surplus Government-owned aircraft and avoid the retarding effect on the aircraft industry which an ill-advised disposal program might have. This is now the responsibility of the Surplus War Property Administrator, Mr. Clayton, who is advised on surplus aircraft disposal matters by a subcommittee on which the War Department is represented. Fundamental disposal policies have been advocated by the War Department to the end that positive encouragement will be given to experimentation and new production by the aircraft industry. I will discuss this problem in more detail later in this statement.

Proper steps are now being taken, in coordination with the War Production Board, to assure that all future cut-backs in aircraft production will be arranged to permit production of civilian aircraft as soon as military requirements are met and to the extent that labor may be available.

Every effort must be mafe to encourage civilian air transport development and civilian flying. The War Department feels that it can best support flying development by making flying available to officers of reserve components of the Army. We are working on plans toward this end. The Civil Air Patrol, which is under the supervision of the Army Air Forces, is also assisting in this development. It has a large number of members who are gaining flying experience and training by performing flying missions in the interest of the war effort. In addition, the Civil Air Patrol has a cadet program which should result in interesting large numbers of boys and girls, 15 to 17 years of age, in flying.

The Congress, it is hoped, will appropriate sufficient funds to maintain a strong post-war Air Force, with a policy of prompt replacement of obsolete military aircraft by the latest types. Such a policy will make possible the development of new types. A comprehensive research program is now in preparation and is essential to the maintenance of American leadership in military aviation. In addition, this policy would go far toward stabilizing the industry and putting it on a sound competitive basis in world markets. Experience has shown that improved military models usually foreshadow improved civilian models.

The future of the aircraft industry is thus bound inseparably to the granting of adequate appropriations for the post-war Air Force. Without the demand created by a progressive Air Force for large numbers of the best airplanes of the latest types, our aircraft industry will unquestionably lag behind that of other nations, our research and development on all types of planes will be retarded, our aircraft, military and civil, will become outmoded and our Nation will lose its air supremacy.

Question No. 7, first part: What principles should be followed in handling Government-owned aircraft factories?

In establishing the principles to be followed in handling these factories, consideration must be given to certain basic factors pertaining to the relationship of the aircraft industry to the national defense. They may be briefly stated:

1. The post-war Military Establishment, with its necessary industrial support, must be maintained on the assumption that this country will not again be given such a period of grace between the start of war and the necessity for full-scale military effort as was provided it by France, England, and Russia in the present war.

2. The protective isolation of our war plants cannot be taken for granted in another war because of the almost certain development of heavy bombers capable of reaching any objective in this country from overseas bases.

3. Security considerations with respect to location dictate an aircraft industry with widely scattered plants. Prior to this war, the location of the aircraft industry violated such considerations as it was well known to be concentrated on the Atlantic seaboard and Pacific seaboard. In view of the factors I have just mentioned, it seems obvious that it should not be allowed to drift back entirely to pre-war locations. It is probable that the normal desires of management would lead to such a trend because of climatic, labor, and community considerations.

It is unquestionably a fact that a post-war aircraft industry of sufficient size to serve this country in another war cannot be supported by probable military appropriations and foreseeable commercial business. For that reason, it will be necessary for the Government to maintain a ready nucleous of reserve plant facilities that will permit rapid acceleration of aircraft output in a future emergency. The following principles regarding disposition of Government-owned aircraft plants are set forth in that light:

1. Title to the eight large Government-owned bomber plants should be retained by the Army Air Forces. These plants are strategically located and are of a size sufficient to permit important expansion of any existing aircraft production. To insure a maximum of maintenance with a minimum of cost to the Government, they should be leased to private enterprise wherever possible. Wherever these plants cannot be leased, they should be retained in stand-by by the Army Air Forces, or used for the storage of essential tools, other production equipment and strategic reserves of matériel, or maintained as A. A. F. Air Service Command depots.

2. In the interest of operating the most modern and efficient plants, the aircraft industry should be encouraged to take over Defense Plant Corporation facilities now in use.

3. Such Defense Plant Corporation plants as are not taken over by the industry should then receive Army Air Forces consideration for emergency stand-by retention. The remaining plants should next receive attention by the Air Forces for the storage of production equipment and matériel. All other plants should be disposed of in accordance with policies to be established by the Surplus War Property Administrator and the directions of the Congress.

Senator MURRAY. Is that considered to be a continuing policy or perpetual policy, or is it just for the period of the war?

Mr. PATTERSON. No; we think of that as a policy with some permanence. We have these large Government-owned plants, bomber plants. It is, I think, inconceivable that current needs of the Army, say 5 or 10 years from now, plus commercial production, will require the use of those plants, and we believe that they should essentially be in a stand-by condition for future emergency, with these temporary uses in the interim that might be possible.

Senator MURRAY. If that same policy is followed by all the other countries in the world, it would mean the beginning of another armament race, would it not?

Mr. PATTERSON. Well, I do not think so. All of this is contingent upon what international arrangements we may have at the conclusion of the war.

Senator MURRAY. Yes. That is what I was thinking. It seems to me that it will be a tremendous burden on the people of the country if they are compelled to maintain these tremendous armaments in the post-war period. It seems to me it should be contemplated that the peace settlement would bring about a situation where these matters would be controlled in the future.

Mr. PATTERSON. Well, it is hoped so, but I don't think there would be a tremendous expense, Senator, in keeping them in a stand-by condition.

Senator MURRAY. You would continue technological experimentation and development of new ideas in these airships continually, would you not?

Mr. PATTERSON. Yes, sir; that is right. I do not think we can afford to take any risks at all on our maintenance of aircraft supremacy. We have it now and I do not think it should be surrendered, with a view to the national defense. Those ideas are all subject to qualification, depending on the kind of peace we have and the outlook after that.

Question No. 7—second part: What principles should be followed in handling Government-owned aircraft?

No aircraft will be declared surplus by the War Department unless they are determined to be in excess of military requirements, but it seems certain that there will be large numbers of such aircraft, and the problem of their proper disposal will be a substantial one. Well, I will go further and say a most critical one.

Under Executive Order 9425, the Surplus War Property Administration was established. Once aircraft have been declared surplus to the needs of the War Department, the responsibility for their disposition shifts from the War Department to the Surplus War Property Administration. The Administrator, Mr. Clayton, has appointed a Surplus Aircraft Advisory Committee charged with the duty of recommending a disposal program. The War Department has a representative on this committee.

I understand that there is presently under consideration the establishment within the S. W. P. A. of an Aviation Division with a Director who would be specifically responsible for the allocation of aircraft to both domestic and foreign customers, and for the establishment of broad selling policies to be followed by the disposal agencies.

Although, as has been stated, the responsibility for the disposition of surplus aircraft rests with the Surplus War Property Administration, the War Department has a vital interest in the problem because of the concern of our armed forces with the aircraft industry and with the comparative strengths of the air forces of this and other nations.

A determination of certain basic considerations and methods in regard to disposal of Government-owned aircraft has resulted from a careful study of the problems involved, from consultation with representative members of the aircraft industry and others qualified in aviation, and from the experience gained from the handling of surplus aircraft after World War I. The background to the development of these principles is provided by the recently completed report prepared

by the Graduate School of Business Administration, Harvard University, at the request of the Army Air Forces and the War Department. I believe, Senator, your committee already has a copy of that report made by the Harvard University.

Senator MURRAY. Yes.

Mr. PATTERSON. In dealing with this problem three objectives are considered of prime importance, viz:

1. The maintenance of a sound permanent military establishment with full public support, adequate skilled personnel and adequate up-to-date equipment, and backed by a strong and technically aggressive aircraft industry capable of rapid expansion. Through this and through the constant replacement of obsolete military equipment by the latest models from production, the effectiveness of the Army Air Forces will be preserved and the leadership of the United States in the design and manufacture of combat aircraft will be maintained.

2. The use of disposal of surplus aircraft as a positive instrument to create sound foreign relations and future trade.

3. To the extent consistent with the above objectives, the maximum dollar return to the Government from surplus disposal.

The rapid rate of obsolescence of aircraft makes timing the key to a sound disposal policy and the sooner surplus aircraft are made available to foreign and domestic markets, the more completely the objectives I have stated can be attained. That subject, I know, is dealt with at considerable length in this report of the Harvard Graduate School. In the light of these considerations, the following two points are of major importance:

(*a*) During the war surpluses of aircraft and components should be made available to the civilian economy as soon as they are declared surplus to the needs of the armed forces.

(*b*) After the war, but only when new and improved equipment becomes available, the distribution of surplus aircraft and components should cease in order to encourage experimentation and new production, and relieve the aircraft manufacturers of the fear of the dumping of surpluses over an unlimited period of time. An example of the contrary policy is furnished by the story of the Liberty engine following World War I. Until as late as 1932, surplus Liberty engines remained available and engine manufacturers could never be sure that this surplus would not be dumped on the market, breaking engine prices. Furthermore, until 1928 airplanes designed to be equipped with the Liberty motor were being procured by the Air Corps, in order that the surplus of engines might be used. Unquestionably, this had a retarding effect on the aircraft industry in this country. It was a mistake which must not be repeated if we are to retain world leadership in aviation. Of course, it also tends to saddle the armed forces with a lot of obsolescent equipment.

A comprehensive aircraft disposal program is now being formulated for presentation to the Surplus War Property Administrator. Obviously, I cannot say what the approved program will be nor is it appropriate for me to discuss the proposals, pending decision upon them by the S. W. P. A. I can assure you, however, that a great amount of good, hard, and realistic thought has gone into this planning, and we have reason to hope that it will bear fruit.

Question No. 7—third part: What principles should be stated in handling Government-owned airfields?

At the present time the War Department is studying the mission, size, and composition of the post-war air force necessary for the protection of this country. It is improbable that definite conclusions can be reached before the end of hostilities.

The study will list fields to be kept in active status and those to be held in stand-by status. In making this determination, consideration will be given to the adequacy of facilities and the strategic and training needs of the post-war air force. Those fields which are not classified in either of these lists will be declared surplus to the needs of the Army Air Forces. Care should be taken, however, by the surplus-disposal agency of the Government that, wherever possible, surplus fields which are not wholly undesirable be disposed of for uses which will interfere as little as possible with their rehabilitation as airfields in any future emergency.

Question No. 8: What plans should be made for a post-war national defense program for the aircraft industry; through research and development; through stand-by capacity; through other methods?

Plans for the post-war aircraft industry require the integration of a great number of considerations that have not yet been fully developed. The problem is under continual study by the Army Air Forces and it is hoped that a definitive plan will be prepared within the next several months.

I shall outline certain of the basic considerations which enter into that study and such preliminary thought as has developed.

To begin with, there seem to be two major aims involved in any plan for the post-war aircraft industry. The first, to insure maximum technical development. The second, to provide the industry with the means of rapid expansion in a period of emergency.

The necessity for the greatest possible technical advance in aircraft is obvious. This country entered the present war with some good airplanes, but they could have been better, and our tactical advantages greater, had we not been handicapped in the pre-war years by the inadequacy of funds available for research and development.

That must not happen again. We have expended a vast amount of research effort on the improvement of our airplanes, and there can be little question but that we will emerge from this war with the best in the world. That advantage must not be lost.

At the termination of hostilities there will be a great number of research projects in various stages of development. Some of them, like jet-propelled airplanes, will be of major significance to our future security. To make any drastic reduction in the amount of research expenditures in the early post-war years would mean losing the benefits of a large number of the in-process projects. It will be essential to continue to expend substantial sums on research and development for 2 or 3 years following the end of the war before such sums can be tapered off significantly. The money spent in later-post-war years, however, must be far above that available immediately prior to this war if we are to maintain our technical superiority in designing and building military airplanes. At all times expenditures must be sufficient to insure the competitive development by the aircraft industry of advanced airplanes, engines, and other components; to promote new tooling and production technology; and to permit production of all successful items on a scale that will bring manufacturing "know-how" and allow adequate service testing of the equipment.

The Army Air Forces Matériel Command is now planning a comprehensive post-war research and development program for military aircraft that will be designed to insure our continued superiority in the air. Based on past performance, there can be little doubt of our ability to achieve that end if we are willing to spend the money necessary to insure the application of our best aircraft minds to the problem.

Turning now to the second of the two aims I mentioned, we find that the discovery of the best means of providing the aircraft industry with the ability to expand its output rapidly on a major scale presents a most complex problem. I have stated earlier that the foreseeable commercial business and the probable appropriations for military aircraft will not be adequate to support an industry capable of providing all the airplanes we would need in another war. It is vitally important to set up the industry on as large a scale as possible, however, and certain salient points can be made in that respect.

1. Surplus aircraft must be disposed of in the post-war period in a way that will not have a bad effect on the markets of the aircraft industry.

2. The greatest encouragement should be provided commercial and civil aviation.

3. The third point is again the one of Federal funds. We must have adequate military appropriations in this field to keep the industry well beyond its pre-war size and to maintain a corresponding output of planes developed and sold through normal competitive methods.

Beyond the establishment of a large, healthy aircraft industry, there must be reserve capacity and a plan for quick expansion. Retention of the eight Government-owned aircraft assembly plants by the Army Air Forces has already been advocated in this statement as a facilities reserve. It may be desirable to add several Defense Plant Corporation aircraft and aircraft engine plants to that list. Special tooling becomes obsolete too rapidly to make it advisable to hold any important quantities of it in reserve, but such general-purpose tools as are not subject to rapid obsolescence should be retained by the Army Air Forces for installation in stand-by plants and privately owned plants as they are needed.

A further factor, requisite to post-war air supremacy, is a plan for the industrial mobilization of another huge aircraft industry. It must be far more comprehensive than anything we had at the outset of this war. It should encompass the details of assigning in advance definite products to individual industries and plants and maintaining production knowledge of those products at the plants concerned through the submission of designs as they are developed and, in some cases, through the maintenance of pilot-line production. Such planning is a large undertaking, but it must be done if we are to be in a position to expand aircraft production quickly to the scale on which it is being carried on today.

In concluding, I want to emphasize, first, that although the questions we have discussed are serious and difficult ones, I am confident they can be solved—they must be; second, that the War Department is giving them constant study and developing plans for their solution; and third, that I an happy that this committee scheduled these hearings and is giving the matter such thorough consideration. I should like also to reemphasize the fact that although adequate plans may be made to provide what we need for our national defense, we cannot

remain the dominant power in the air unless Congress provides the funds necessary to carry out those plans.

The particular work in this respect that I have mentioned here as being carried on by the War Department is under the direction of Colonel Davison, who is here and who represents the Special Projects Branch of the Army Air Forces, which is devoting its entire time to this matter covered by my statement today. Rather than try to handle any detailed information personally, which I would not be able to do with the care that the committee deserves, I have summoned Colonel Davison to my assistance, who is devoting his entire time to these matters.

Senator MURRAY. Mr. Secretary, it has been suggested by witnesses before our committee a day or two ago that a National Aircraft Production Council should be set up similar to the Production Council which you now have. What would you have to say about that?

Mr. PATTERSON. With members of the industry?

Senator MURRAY. I think some witness testified to that. I think it was Mr. Frankensteen, representing labor. He said he would like to urge the formation of a National Aircraft Consultant Council. The purpose of the council would be to follow the development of the aviation industry, with particular reference to civilian use. Of course, the Army and Navy would be interested in that work and I was wondering if you felt it necessary, in addition to that, to have a national council set up; a National Aircraft Development Council, he called it.

Mr. PATTERSON. Well, if they get the blessing of the Department of Justice—you could not run afoul of the Sherman Act—I think it would be a good thing to do.

Senator MURRAY. You think there might be a danger of a little monopoly developing if such council were set up?

Mr. PATTERSON. That is the reason I put in the qualification of the Department of Justice. I do not think there would be any risk if they gave it their approval. They are pretty alert to monopolistic tendencies.

Senator MURRAY. Thank you for your very excellent statement.

Mr. PATTERSON. Thank you.

Senator MURRAY. Mr. Gates.

STATEMENT OF HON. ARTEMUS L. GATES, ASSISTANT SECRETARY OF THE NAVY FOR AIR

Senator MURRAY. Mr. Gates, will you give your name to the reporter, and the Department you represent?

Mr. GATES. My name is Artemus L. Gates. I am Assistant Secretary of the Navy for Air. I have a very brief statement here.

Senator MURRAY. You may proceed.

Mr. GATES. Senator Murray's letter of June 7 to the Secretary of the Navy, inviting him to testify at today's hearing, made it clear that the matters under examination chiefly concerned aviation and, accordingly, he asked me to represent him. The Navy is, of course, pleased to cooperate in such studies as your committee has in mind. Capt. Lewis L. Strauss, of the Secretary's office, has been closely associated with the program and machinery for terminations and cut-backs. He is here with a statement and is ready to answer questions on the technical phases of these problems.

There are a few questions of policy and generalities that I should like to touch upon first.

The Navy is now studying a program to transfer certain air frame and engine production over a period of time from those present producers which are not primarily aviation companies back to the aviation manufacturers proper. This is no reflection on the job the nonaviation companies have been doing; many of them have made excellent records both in meeting production schedules and in holding down costs. But plane manufacture is not their peacetime business, and they should be put in position to resume their regular production when the whistle blows.

It is my belief that the Government should not try to operate, in competition with the aircraft manufacturers, the plants it now owns. Those plants which are regarded as essential stand-bys for future reserve production should be "put on ice" and the others should be sold to private industry. The soundness of the policy of leaving aircraft production in private hands has been proved by the record of the industry in this war.

It is also my belief that the air lines need not fear any competition from the Naval Air Transport Service. As soon after the termination of hostilities as the commercial air lines can take over the load, I foresee reduction by the Naval Air Transport Service of its operations to a point where it will not be competing. The Navy will always need to maintain a fleet of cargo and transport planes to carry unusual loads, to reach out-of-the-way bases where the commercial air lines will not operate, and to make emergency transfers of cargo and personnel for military purposes. There will be no occasion to duplicate service where facilities are adequate.

As to national policy with regard to maintenance of air power, the Navy endorses the resolution adopted by the Board of Governors of the Aeronautical Chamber of Commerce of America at Los Angeles last April, unanimously recommending formulation of an American airpower policy on the following principles:

The United States should maintain an air power sufficient (in conjunction with other forces) not only to win this war but also to keep the peace:

1. By maintaining adequate air forces at such strength and in such state of readiness as to preclude a successful assault upon our country or its possessions.
2. By acquiring and maintaining air bases essential to our security and that of overseas trade.
3. By facilitating the orderly and economic expansion of domestic and international air transport and of private flying.
4. By preserving a strong aircraft-manufacturing industry.

Reference has previously been made to the work of the Morrow Board, created by President Coolidge in 1925. Legislation resulting from the Board's study brought about remarkable growth in naval aviation. The Navy would favor a new examination of the relationships of the service and industry by a new Morrow Board representing Congress, the armed forces, the aviation industry, labor, and other interested groups. I am confident that such a study would be extremely valuable.

Since Congress naturally desires to make a real contribution to the solution of the aircraft industry's post-war problems, I suggest a declaration now for a strong post-war Navy with its closely integrated air

components. This would be reassuring to industry and labor. It would enable industry to go ahead with its plans and its experimental work for the Navy. We must keep our naval air force the best in the world. The war has demonstrated that it is the spearhead of the Navy.

Your committee's work has a highly important bearing on the future, but I am chiefly concerned with its immediate effect upon the industry because, as our military and naval leaders have warned, we have long and bitter fighting ahead. The settlement of post-war policies at this time will enable the aircraft manufacturers to concentrate on completing their job so that we will have the weapons to finish our job.

Senator MURRAY. Mr. Gates, do you favor the expansion of the civilian pilot-training program, the R. O. T. C., and the proper machinery for post-war training?

Mr. GATES. You mean, Mr. Chairman, in connection with establishing a reserve of military pilots or civilian pilots?

Senator MURRAY. Well, of course, both; the idea being to develop the industry in the country by having a training system which will develop fliers, pilots.

Mr. GATES. I would favor dividing it into two classifications. I would favor a national service act and, through the national service act, I would expect the Army and Navy to take care of its reserve requirements of pilots and train them through their own system. I certainly would favor a civilian pilot-training program to permit civilians to learn how to fly and get that many more people air-minded.

Senator MURRAY. What is being done now with the helicopter for military and naval uses?

Mr. GATES. I asked Admiral Ramsey, who is Chief of the Bureau of Aeronautics, to accompany me here. He is more familiar with that than I. If possible, may he testify on that point?

Senator MURRAY. Yes.

STATEMENT OF REAR ADMIRAL D. C. RAMSEY, UNITED STATES, NAVY, CHIEF, BUREAU OF AERONAUTICS

Admiral RAMSEY. Mr. Chairman, we have a considerable number of helicopters on order through Army sources of production, primarily at Sikorsky. We have at the present time 176 helicopters of different types—training, tactical, and so-called liaison—only five of which so far in the training category have been delivered. We have embarked on a training program for personnel, including our own and British, at a training institution that we have at Floyd Bennett Field.

In addition to the helicopter that we ultimately expect to get from Army sources, we have two highly important experimental projects of our own which are being handled by McDonnell at St. Louis and P. V. Engineering Forum at Philadelphia. So I can say the Navy is giving this subject of the development of rotary-wing aircraft careful and continuous attention.

Senator MURRAY. You anticipate it will become a very important factor?

Admiral RAMSEY. I do not think so, sir, in the military field.

Senator MURRAY. In the military field?

Admiral RAMSEY. I do not think so. Primarily they have a value for antisubmarine operations, perhaps, when they can develop one

that can carry a sufficient depth charge load, but they certainly have a definite utility in the rescue field, Mr Chairman, and that is, in my opinion, one of the greatest potential assets.

Senator MURRAY. I would like to ask Mr. Gates what is the present status of the Brewster termination situation?

Mr. GATES. I have a few facts on the present status. Would it be all right if I read this memorandum, Mr. Chairman?

Senator MURRAY. Yes.

Mr. GATES. 1. Corsair contract: The termination of the Navy's contract with Brewster for Corsairs became effective on July 1, 1944. Seven hundred and thirty-four planes have been accepted with one more to be accepted shortly, making a total of 735 for the contract.

2. Johnsville: The Navy took over the Johnsville plant, which was Government-owned, at the close of business on July 1 as an adjunct of the Naval Air Material Center, Philadelphia. Brewster is still doing some work there, such as packing and crating spares, cleaning out materials, finishing up the last plane, and so forth.

Brewster still has approximately 800 employees at the plant. The Navy has requested a total complement of 3,500 (of which 2,500 are production workers) for its work at Johnsville. The Navy estimates that it can use 3,000 of the Brewster employees at Johnsville, although it is not anticipating that it will get more than 2,000. As of July 8, 1944, over 100 former Brewster employees had been taken on, and the balance will be taken on within 45 days, providing such employees desire to accept jobs with the Navy. An employment officer is at the plant with authority to hire, and it is possible for an employee of Brewster to terminate his employment on one day and go to work for the Navy the next morning. One difficulty in the Navy's recruitment program is the fact that most Brewster employees are on vacation and cannot be contacted. Production worker rates paid by the Navy are comparable to Brewster, but engineering rates are below what employees earned at Brewster.

Practically every employee of Brewster at Johnsville can be utilized by the Navy.

3. Long Island City: The work being done at this plant consists of inventorying and handling material and settling contract termination claims. So far as is known, Brewster has no other business of any importance. It is contemplated that the Navy will take over the Ford Building lease—which Brewster leased—for storing of materials, and so forth, pending their disposition.

There were approximately 9,000 employees at the Long Island City plant, and there are still approximately 900 there, although this number will get smaller. We have tried to find out from the War Manpower Commission what happened to the other employees, but the Commission's figures are still being compiled, and we understand will be submitted to this committee.

Five or six days prior to the termination of the contract in May, Navy officers and the W. M. C. regional office in New York had thoroughly discussed the mater and had made arrangements for the U. S. Employment Service to install interviewers at the Brewster plant to refer workers to other jobs. W. M. C. had also interviewed other companies in the area to acquaint them with the availability of some of the Brewster workers and to arrange for them to hire these workers at the plant. This arrangement was in effect carried out.

At that same time, it was understood by the Navy Department from the W. M. C. regional office in New York that there were two to three jobs for every worker in the Brewster plant in other important war work in the New York area and that these jobs were at comparable rates of pay.

Senator MURRAY. What is the status of the Navy's program on the utilization of the Johnsville plant?

Mr. GATES. You mean what are they doing?

Senator MURRAY. What are they doing with reference to using the Johnsville plant?

Mr. GATES. Your question, I assume, is what type of work do they propose to do there.

Senator MURRAY. Yes.

Mr. GATES. The Navy proposes doing certain modification work there which is necessary in the Navy program. This will take over a considerable part of the load from the Naval Air Materials Center at the Naval Aircraft Factory, Philadelphia, where it is already overloaded.

Senator MURRAY. Is that a suitable program that will utilize the facilities completely, or is it small?

Mr. GATES. I think it will utilize the facilities completely. As far as employment is concerned, it will take all the employment that was there. Yes; it will utilize all the facilities.

Senator MURRAY. Thank you. You have a Captain Strauss with you here, have you?

Mr. GATES. He is right here.

Senator MURRAY. He has a statement that he wishes to make for the record.

STATEMENT OF CAPT. LEWIS L. STRAUSS, UNITED STATES NAVAL RESERVE, SPECIAL ASSISTANT TO THE SECRETARY OF THE NAVY AND ASSISTANT CHIEF OF PROCUREMENT AND MATERIAL

Captain STRAUSS. The Navy Department is glad to have an opportunity of appearing before your committee to present its views on the subject of curtailments in wartime aircraft production. The problems presented by the aircraft industry are unique by reason of its relative youth; its very great expansion to meet the needs of the armed services; its capital position, which from an over-all viewpoint is not strong; the large numbers of workers presently employed who may be dislocated by cut-backs and terminations in the procurement programs; and, finally, by the obvious necessity of maintaining a strong position in this field in the interest of national security.

The questions for discussion which were appended to the letter from Senator Murray, by which we were invited to this hearing, covered a number of the pertinent aspects of the subject and they are dealt with in the order in which they were presented, with the exception of questions 7 and 8, which have been dealt with by Assistant Secretary Gates in his statement.

Question No. 1: To what extent is it necessary to achieve better coordination between the cut-back program of the Navy Department and that of the War Department? How can this best be achieved?

Coordination between cut-backs of the production programs of the Navy Department and the War Department are obviously essential. Machinery for accomplishing this coordination has been established through the staff of the Production Executive Committee of the War Production Board on which both the War and Navy Departments are represented, as well as the Army Air Forces and the Navy's Bureau of Aeronautics, both of which have separate, independent representation at the present time.

By directive dated June 5, 1944, from the Director of the Office of War Mobilization, Mr. Justice Byrnes, the services are instructed to clear all proposed cut-backs and terminations with a committee to be set up by the Executive Vice Chairman of the War Production Board. This committee has been functioning now for some 5 weeks. It has established operating procedures and is currently engaged in the actual consideration of specific cut-backs as proposed by the services.

Present coordination between the War and Navy Departments in respect of cut-back programs in the aircraft industry is, I therefore confidently believe, as close as could be desired.

Question No. 2: Once it is decided to cut back a given program by a given amount, what yardsticks should be used in deciding which companies are cut and how much each company is cut?

The Navy Department has operated for some time on the basis of a contract termination directive reciting the factors to be considered in terminating contracts. The directive might be briefly summarized as follows:

Substantial cut-backs in particular segments of the Navy procurement program are now being made, even though the program as a whole has not yet reached its peak. Such cut-backs result both from revised operational demands and from new technical developments. When a procurement program cut-back requires the termination of fewer than all outstanding contracts relating to the program, the selection of particular contracts for termination should be made in the light of all applicable factors within the knowledge of the bureau concerned. While all factors will not necessarily be applicable to each case, consideration should be given to all that are pertinent. Such readily determinable factors as relative cost and basic performance should not be overemphasized to the exclusion of things of a less tangible nature. To the fullest extent possible, the bearing of all pertinent criteria upon subcontractors should be taken into account as well. The location of a prime contractor may be of lesser importance than the location of principal subcontractors in regard to critical labor areas, or the use of the transportation facilities which may be affected by a contract termination. The following factors, without order of their mention indicating relative weight, are to be considered as they may be applicable.

(a) Ability to convert to civilian production: Contractors not required for other war production or for essential civilian production, who are able to reconvert to other civilian production for which materials and labor are available, should be preferred on termination to contractors for whom reconversion will not yet be possible. This consideration may be of particular importance in the case of a contractor located in a single-industry community which is dependent upon the business of that contractor.

(*b*) Costs: Contracts affording lower unit costs to the Government should be retained where other factors are equal, but the obvious importance of this factor and the ease with which it can be applied must not result in disregarding other pertinent factors. As in the case of initial procurement, the payment of higher prices under contracts retained than would be required under contracts terminated is authorized to the extent necessary to give due weight to other factors. The cost factor will, however, grow in importance as manpower, transportation and other shortages are overcome.

(*c*) Use of facilities for other war production: Facilities which can be utilized for other war production or for essential civilian production should be released in preference to termination of contracts at plants not readily adaptable for other such production. In addition to physical facilities, the availability of engineering and other technical staffs able to effect speedy change-over should be considered in this regard.

(*d*) Financial condition: Material obtained from contractors requiring Government financial assistance at substantial credit risk may ultimately be of greater unit cost to the Government than similar material from contractors with a higher original contract price per unit.

(*e*) Location in critical labor areas: Manpower shortage in critical labor areas designated by the War Manpower Commission as group I or group II areas should be relieved by termination of contracts for materials being produced in such areas to the greatest extent possible. Particular attention should be given to the location of principal subcontractors as well as prime contractors.

(*f*) Dependability of performance: Records of contractors for meeting or anticipating required schedules should be reviewed.

(*g*) Quality of product: Reports of material inspectors and other data indicating quality of product should be weighed.

(*h*) Production efficiency: Contractors with a record of economic use of critical materials, machinery and equipment, and efficient utilization of labor should be retained in preference to those with a record of overordering or waste, or of labor hoarding, rapid labor turn-over or excessive absenteeism.

(*i*) Pro rata partial terminations: Where all other factors are in substantial balance, a program cut-back may be spread pro rata over all affected contracts by partial terminations. The possibility that the operations of some plants may be reduced below an economic production rate must, however, be taken into account in this connection.

(*j*) Smaller war plants: Independent small concerns within the scope of the Smaller War Plants Act, Public Law No. 603, Seventy-seventh Congress, should be retained to the fullest extent possible, except where the contractor would elect termination in order to be released for permitted civilian production. Similar preference should be accorded prime contractors with a large number of subcontractors in the Smaller War Plants category.

(*k*) Stage of completion: Contracts not yet in production or in earlier stages of production should be terminated in preference to contracts nearing completion in order to avoid waste in scrapping work in process and high termination claims.

(*l*) Stand-by facilities: Safeguarding of future requirements normally will require maintenance in operation of more than one source of supply for any important nonstock item.

(*m*) Minimum use of transportation: The burden of transportation facilities should be minimized by retention of contractors accessible to raw materials, purchased components and destination in preference to contractors requiring cross hauls or long distance deliveries.

(*n*) Type of contract: Fixed-price contracts should be retained in preference to cost-plus-fixed-fee contracts, other factors being equal, where both types of contracts are outstanding under a procurement program.

Question No. 3: What should be the policy governing advance notice of cut-backs for (*a*) the company? (*b*) the subcontractors? (*c*) the employees? (*d*) other Government agencies?

We have provided that when production in individual plants will have to be substantially reduced as the result of a procurement program cutback, the Bureau concerned shall arrange for informing the contractor and the employees. To what extent advance notice of cut-backs should be given depends upon whether the cutback is a result of long-range planning or of a military decision of immediate character. In some cases, advance notices of cut-backs may result in a slow down and a loss of manpower. With a few unscrupulous contractors, advance notice might result in excessive processing of raw material and consequent greater termination claims against the Government. The most efficient method is to determine each case upon its merits and special circumstances. That is to be done by the Production Executive Committee of the War Production Board. On that body, in addition to the military services, there are representatives of the War Manpower Commission, Smaller War Plants Corporation, organized labor, and the Office of War Information. A procedure is now in process of formulation which, it is hoped, will provide adequate advance notice without too much risk of impairing the war effort. As early as August 1943, the Chief of the Office of Procurement and Material had established a procedure within the Navy Department for informing the employees of contractors in case of cut-backs. This practice will be continued until such time as the procedure of the Production Executive Committee, to which I have just referred, is made effective.

Question No. 4. What provisions should be made for employees who are released from wartime aircraft production? Through unemployment compensation? Through retraining? Through transportation to other localities? Through other methods?

This question raises an issue of interest to us individually as citizens, but is beyond the jurisdiction of the Navy Department, as a combatant service, to deal with. Representatives of the Department have at various times appeared before congressional committees and have voiced their independent opinions that some form of unemployment compensation for workers dislocated from war production was appropriate. Whether this should take the form of separation pay or be handled through social security legislation is a matter for the determination of the Congress, and clearly beyond the jurisdiction of the Navy Department as well as are questions of retraining, transportation of workers, etc. Separation pay as an allowable item of claim in contract settlements, however, would be only a solution for

a part of the problems. It would be inequitable in that it would not apply to labor not directly engaged in war contracts and it would therefore breed discrimination and resentment.

Question No. 5: How can production cut-backs in aircraft best be integrated and synchronized with the development of other types of war production or of civilian production?

I think this question has been substantially answered in my response to question No. 2. The membership of the Production Executive Committee of W. P. B. is wide enough to accomplish the desired result, and such committee should be able to develop procedures to assure the necessary degree of integration and synchronization of war and civilian production.

Question No. 6: What are the important steps that the Government and industry can take now to promote the rapid development of civilian aircraft production?

It is, as I have said before, important to the national defense that civilian aircraft production should be firmly established upon a healthy basis following the war. The extraordinary manner in which producers of civilian aircraft converted to the production of military aircraft in unprecedented numbers points up the need for the preservation of an industry which will continue to lead the world in the development of this art. Congress should appropriate adequate funds to the War and Navy Departments annually after the war to enable the Services to constantly modernize their air arms, and we should never be content to maintain obsolesent material in a field where change is so rapid and fundamental. Encouragement of civilian air transportation by all proper means should be pursued. Research in aerodynamics and related sciences which will be continued by industry should also be liberally financed and conducted under Government auspices, and the results made available to private industry to the extent compatible with security. No better example can be found of the interdependence of military and civilian use of the same item than the benefits which have resulted to naval aviation from civil aircraft development. And the reverse is equally true.

Senator MURRAY. Thank you for the statement. Does Mr. Russell desire to ask any questions?

Mr. RUSSELL. No questions.

Senator MURRAY. Mr. C. E. Wilson, of the War Production Board, was to appear this morning as a witness but he found it was impossible. I will request him to submit a statement at some later time. This will close the hearing. We have no other witnesses for the present.

STATEMENT OF C. E. WILSON, EXECUTIVE VICE CHAIRMAN OF THE WAR PRODUCTION BOARD

Question 1: To what extent is it necessary to achieve better coordination between the cut-back program of the Navy Department and that of the War Department? How can this best be achieved?

It is my conviction that adequate machinery exists for the coordination of program cut-backs of the Army and the Navy Air Forces.

Having learned a lesson from former inept procedures, intended cut-backs are now reported by both services to the Production Executive Committee as soon as the services reach their decision to reduce the production of certain models of airplanes. It is then among the duties of the staff of Production Executive Committee to see that the cuts are adequately coordinated, in the sense that they are so distributed among contractors, industrial areas, and industries as to facilitate reconversion and minimize unemployment of resources as far as that is possible.

Coordination between the aircraft programs of the Army and Navy on a somewhat broader level is effected by the Aircraft Production Board that exercises a considerable degree of control over the entire aircraft program—and not only the current cut-backs—of the two services.

The coordinating activities of both the Aircraft Production Board and Production Executive Committee, however, are limited to the sphere of production. These two agencies treat the aircraft requirements of the two Services communicated to them, as given data and try to make sure that they are executed as expeditiously and as efficiently as possible. The basic war and post-war aircraft plans are drawn up by the services, the Joint Aircraft Committee, and the Joint Chiefs of Staff.

Question 2: Once it is decided to cut back a given program by a given amount, what yardsticks should be used in deciding which companies are cut and how much each company is cut?

I shall try to set forth some of the criteria which, in our consideration to date, have seemed to us to be applicable to cut-backs in aircraft programs. In stating these, however, I should like to stress my conviction that more important than any set of yardstick rules is the intelligence with which they may be applied. It will be evident from the outline below that there are a number of important and sometimes conflicting principles to be taken into account in integrating cut-backs with the resumption of civilian production. General rules can only serve as a background for the discriminating analysis and judgment that must be applied to each case.

At best, Government-devised plans for reconversion will be of far less validity than those developed for the marshalling of war production where the letting of Government contracts largely determines what our industrial establishment would do. Production for peacetime needs will be determined essentially by the free decisions of American industry and it is our firm intention and part of our planned procedure to make full use of the plans developed by our aircraft companies and by the representatives of aircraft workers as a guide to any plans we make for the readjustment of their activities.

In deciding how the impact of cut-backs in the aircraft program is to be distributed, first consideration will, of course, be given to military needs. This means that, in general, those firms will be kept in aircraft production that are best adapted to munitions production. When program cut-backs occur, and a choice of plants is possible, cuts will be made first in plants that can be used effectively in other military programs. Among Government-owned establishments, they will generally come last in plants that either the Army Air Forces or the Navy's Bureau of Aeronautics may require for post-war production stand-by or storage purposes.

After due weight is given to military needs, there will, in most cases, still exist a margin of military indifference within which cuts can, and should, be made that are most favorable to reconversion to civilian use and to the minimization of unemployment of recources.

(1) Resources that complement each other in production should, as far as possible, be released together. There would, for example, be no point in releasing a pre-war washing-machine facility from aircraft production if the suppliers of indispensable washing-machine components remain tied up in war work. We should, therefore, attempt a simultaneous release of the required component capacity. If that is not feasible, we should give precedence either to plants that can themselves fabricate the components they may need or that manufacture products that do not require tight components.

(2) Since it will generally be easier to reconvert a pre-war plant to the production of its civilian product than to convert a specialized munitions facility to the production of some civilian product, pre-war facilities which were engaged in other than aircraft production should generally be released first and remaining munitions production should be increasingly concentrated in specialized aircraft plants.

Since the termination of a prime aircraft contract ordinarily means that subcontracts are also terminated, and since most aircraft subcontracctors were pre-war producers of a variety of durable goods for which there will be urgent demand, plants with a relatively high degree of subcontracting should generally be released ahead of those with little or no subcontracting.

(3) As far as military considerations permit, cuts should be made first in communities where released workers can be most readily and usefully reabsorbed. This means that, in general, contract terminations should come first in tight labor areas. Within these areas, precedence should be given to communities that can

use the released labor in other military or essential civilian programs. Communities that can use the released labor in civilian production that ranks relatively high in the list of consumer preferences and industry's needs will also be given precedence.

Special problems are raised by communities swollen much beyond their pre-war size, and probably beyond their post-war size as well. It would be undesirable to delay the exodus of war workers from such communities until opportunities to return to their pre-war occupations have been closed to them. Such workers should, therefore, be released by prior termination of the contracts on which they are engaged, unless there are prospects for employment later in the reconversion period if cuts can be held off for a while. Communities that cannot resume until rather late in reconversion should be kept in war production as long as possible.

Military and employment needs will be our most important considerations in determining the distribution of contract terminations. But there are other considerations that deserve serious attention. For instance, as far as military and employment considerations permit, priority in cut-backs will be given to plants that can produce the most urgently needed civilian commodities, as determined by consumer surveys of the Office of Civilian Requirements and by industrial surveys of the War Production Board's industry divisions.

Question 3: What should be the policy governing advance notice of cut-backs for (*a*) the company? (*b*) the subcontractors? (*c*) the employees? (*d*) other Government agencies?

The Production Executive Committee staff has given careful consideration to the problem of providing adequate notice of cut-backs to the company, its employees, the subcontractors, and other Government agencies. It has incorporated in its procedures a definite plan to this end, which plan is now in effective operation.

In all cases in which a cut-back has been determined upon which will result in a substantial release of manpower or facility resources, complete information about the reasons for the cut, the considerations which dictated applying the cut to the particular contractor, the possibilities of placing other military or nonmilitary work in the establishment affected, etc., is furnished to the appropriate War Production Board regional director, the War Manpower Commission State director, and the field representative of the Procuring Service before official notification of the cut-back is sent to the company management. These officials, under the coordinating direction of the War Production Board regional director, are charged with responsibility for approaching the contractor, for explaining the situation to him in detail, and for arranging through him to place the full story before the representatives of the workers in the establishment, in order to insure that they are fully informed of the circumstances of the case rather than being left to receive notice through newspaper announcements.

If, as has been true in all but a small fraction of the cases processed to date, substitute work upon other military programs may be offered to the plant. A representative of the procurement agency which has such alternative work to offer is attached to the group to explain what the possibilities are and to negotiate for the new contracts. The representative of the War Manpower Commission is responsible for explaining what opportunities there are in the area in the event that the readjustment entails a temporary or permanent curtailment of the working force in the establishment in question, and for setting up recruitment machinery within the plant for directing released workers to jobs.

Habitually, of course, the procurement agency has preliminary discussions with the several contractors working upon a program that is to be curtailed, for the purpose of determining which contracts can be cut with a minimum of dislocation. In the case of ammunition contracts, where normally there are a relatively large number of vendors, Army Ordnance has adopted a procedure of calling a special meeting of all of the contractors upon a given program that is to be cut, placing the complete problem before them, and working out with them the most reasonable adjustment of future schedules in terms of the particular problems of all those concerned. Representatives of the War Production Board, its field officers, and the War Manpower Commission attend these meetings and participate in the negotiations.

In the case of each cut-back that substantially affects an establishment or a community, a public release of the circumstances surrounding the case is prepared in Washington, is furnished to the field representatives who approach the companies affected, and, with such supplementation as they may be in a position to add from their particularized knowledge of the case, is given local release at the time when the announcement of the cut-back is made.

Representatives of the Smaller War Plants Corporation and of the Labor Vice Chairman of the War Production Board are represented upon the Production Executive Committee staff and participate fully in the determination of the placement of cut-backs and in the field negotiations that have been described above.

The question of notification of subcontractors is a difficult one and has not yet been completely or satisfactorily resolved. By its very nature it is a problem that is not susceptible of as orderly handling as has been developed for prime contract cases. Our information about subcontracts is not comparably detailed to that which we have upon prime contracts and, even if it were available, there is no comparable control which Government agencies can exercise. In all cases where cut-backs are being considered, the Production Executive Committee requires the procuring agency to give as full information as it is able to gather about subcontracts related to their prime contracts, and the probable effect upon such subcontractors is given consideration in determining the pattern of cut-backs. However, there is no way in which we can control the final decisions of the prime contractor as to the rearrangement of his subcontract commitments, since the matter is one of his own free election. If a prime contractor is cut 50 percent, he may elect immediately or at some later period to curtail his several subcontractors by the same percentage, or to eliminate one or more of them and to keep others fully occupied; or he may elect to cut his subcontractors by more than the percentage of his own cut and to pull some of their work back into his own establishment. The most that we can do is to charge the regional War Production Board and War Manpower Commission representatives with responsibility for determining what the impact upon subcontractors will be, and for seeing that all possible steps are taken to make effective use of released resources within their own jurisdictions or by the regional offices in which the affected subcontractors are located.

Question 4: What provisions should be made for employees who are released from wartime aircraft production? Through unemployment compensation? Through retraining? Through transportation to other localities? Through other methods?

This question is but a part of the much broader one of demobilization of the labor force, the primary responsibility for which rests with the Retraining and Reemployment Administration, the War Manpower Commission, the Social Security Board, the Department of Labor, and other agencies of the Government rather than with the War Production Board.

It is my feeling that employees released from wartime aircraft production, or for that matter from any war plant, should not be treated differently from any worker that becomes unemployed. In our complex industrial civilization the individual employee has so little control over the loss or the retention of his job that there is no reason to treat workers who lose their jobs directly as the result of cut-backs in war production schedules differently from others that may lose them as an indirect effect of such cut-backs or as a result of an over-all decline in national production that may be caused by the curtailment of war production.

In all these cases adequate provision should be made to permit the discharged worker and his family to continue to live at a minimum standard of decency and to prevent a disastrous shrinkage of mass purchasing power. If the provisions now governing unemployment compensation do not achieve these ends, and I do not have enough knowledge to say whether they do, appropriate changes should be made. In particular, care should be taken that neither the coverage of unemployment compensation or its duration are too severely limited. In other words, the answer to cut-back lay-off is not special privilege in the form of dismissal pay but a broadly conceived system of unemployment compensation.

The fact that war workers have often been recruited from areas far removed from their place of work may justify some special assistance in the form of payment of transportation expenses, in case of need, to their home communities or to localities where employment opportunities exist.

As millions of workers in war plants have never been trained for other trades and as many branches of the war industries—and the aircraft industry among them—cannot employ as many workers during peacetime as they now do, a large-scale retraining program is essential. Participation in such a program, however, should be open to every person who becomes unemployed, irespective, of whether or not unemployment is directly due to a cut-back in war production and might most profitably be organized within the industries and plants which offer work opportunities beyond the availability of qualified workers.

Question 5: How can further cuts in aircraft best be integrated and synchronized with the development of other types of war production or of civilian production?

In the Production Executive Committee and its staff, we have the central mechanism for shifting a cut-back plant to other war production and for meshing the resources released from war programs with the expansion of civilian production. The Production Executive Committee staff consists of representatives of the procuring agencies, Vice Chairman of the War Production Board, representatives of the Smaller War Plants Corporation, Manpower Commission, and the Office of War Information. Through this central orga. ization, we are channeling all the information regarding current cut-backs, X-day programs, and programs for the reexpansion of civilian production.

For example, the Army Air Forces has transmitted to the Production Executive Committee staff detailed plans for the adjustment of the aircraft program after the defeat of Germany. The plans for selecting plants to be retained in military production or in stand-by are now being reviewed. Because of the variety of factors that must be taken into account this is a task of great complexity. Insofar as there is a choice, we are trying to get the best balance among the following main considerations: Military security and post-war military utilization of the plant, efficiency in aircraft production, maximum civilian output, possibilities for reemployment on a geographic basis, and the elimination of bottle necks in the reexpansion of civilian production. The Air Forces data in conjunction with similar data from the other agencies will provide the basis for estimates, in general terms, of the amount of various types of civilian goods that can be produced following the defeat of Germany. This basic information will enable us to develop workable and equitable plans for guiding the reconversion process.

We intend to rework these plans in order to continuously improve them and to take account of changes in military programs so that when the defeat of Germany occurs we shall be in a position to have an orderly partial reconversion of industry that will minimize hardships and maximize the output of essential civilian goods. No blueprint drawn in advance can be expected to furnish a satisfactory solution for each of the multitude of decisions that will face us with the end of the European phase of the war. But our advance planning should make it possible for us to handle this formidable work load with a minimum of fumbling and delay.

Question 6. What are the important steps that the Government and industry can take now to promote the rapid development of civilian aircraft production?

As soon as possible within the limits of continued on-schedule war output, manufacturers should be allowed (and encouraged) to begin development work on civilian aircraft.

(*a*) Plants whose schedules have been cut back to less-than-capacity output should be permitted to begin work on post-war planes.

(*b*) Plants producing military planes of relatively stable design should be granted the same prerogatives if (1) war output is proceeding on schedule; (2) no major design revisions are in prospect; (3) engineering man-hours are restricted to a level that will not interfere with war-plane production. If it becomes apparent that civilian development work is causing war output to lag behind requirements, the services should order the plant to restrict the proportion of its resources devoted to development.

(*c*) Plants producing the newest and most-wanted tactical planes (e. g., the Superfortress) will be pushed to the utmost for some time if military requirements are to be met. No diversion of resources to civilian developmental work can be permitted in such plants for some time. These plants will, of course, be perfecting their tactical models which may give them an advantage in the post-war military aircraft field. And, in many cases, companies building these models are operating other plants where post-war development can be carried on (e. g., Martin, Omaha, must devote its every effort to meeting its B–29 schedule; but Martin, Baltimore, should have sufficient resources to do civilian development work).

Air lines will constitute one of the most important post-war markets. Immediate development of sound and forward-thinking national air-lines policies will assist manufacturers in determining the number and types of planes which will be needed. National policy should be formulated to deal with such problems as—

(*a*) The extent of United States participation in international air transportation.

(*b*) The proposal that all first-class mail (and parcel post) move by air.

(*c*) The extension of domestic air transport to smaller communities.

(*d*) Disposal of war surplus planes.

Foreign markets for commercial airplanes can be fully as important, if not more important, than the domestic market for this type of aircraft. The large parts of the world, such as China and Latin America, which have shown intention of rapid industrial development after the war, may depend on aircraft in large measure for the development of their internal transportation systems. This means a market not only for United States airplanes, but also a field of activity for United States pilots and ground crews, for branch facilities of United States companies to service American-built planes used abroad, and at a later date for United States participation in the development of foreign aircraft manufacturing. The Government has an important responsibility in this regard.

Post-war military and commercial production will provide employment to only a fraction of the more than 2,000,000 workers now engaged in aircraft production. The best insurance against future aggression is a strong and healthy aircraft industry based on vastly expanded private plane sales. And the private plane industry might eventually approach the employment dimensions of the automobile industry. The following suggestions may serve to stimulate private plane use—

(*a*) Pilot training should be continued in colleges to insure an adequate supply of military pilot material and to stimulate demand for private planes.

(*b*) Disposal of surplus military planes suitable for private use and equipment should be so handled as to encourage, rather than repress, post-war demand.

(*c*) Development of airfields, airstrips, and approach roads should be encouraged, with Federal aid if necessary, and construction should begin as soon as possible after V Day. Just as large scale use of automobiles awaited highway development, private flying awaits airport development.

The Army and Navy should place military development orders with competent manufacturers released from war-plane production; such orders will insure the continuance of engineering improvements which are essential to both military and civil aviation and will help manufacturers over the transition to peacetime production. Also the Services should inform manufacturers of the probable scale of military orders during the post-war period.

Question 7: What principles should be followed in handling Government-owned aircraft factories, aircraft, and airfields?

A. AIRCRAFT FACTORIES

The Government is today the sole owner of facilities which account for half of all airframe and engine production. In addition the Government has a very substantial interest in most of the other airframe and engine facilities. The problem with respect to the wholly Government-owned facilities has two parts—first, policy for the period of cut-backs in production while the war continues—this has been discussed in the answer to question 2; and second, long-range policy after the war.

Our long-range policies toward the Government-owned airplane plants arise from the fact that most of these plants are located in areas which have never before been centers of metal-working industry. Dallas, Fort Worth, Wichita, Atlanta, to mention a few are new centers of industry created by the war. There are the large airplane plants, newly trained industrial management and labor, and the community's trade and services built up at least partially in scale to the increased population and income. The future growth of our country will be aided by the transfer of these new industrial facilities and skills to peacetime pursuits. The democratic development of our country will be aided if we can find peacetime industries for these new centers and we will avoid the harmful effects of creating ghost cities.

Therefore, our policy should be to work with and encourage those interests which desire to create new enterprises to continue the activity now being carried on by the Government-owned airplane factories. We should cooperate with chambers of commerce in these communities, with committees for economic development, with established firms in other regions which want to extend their production to these communities. Naturally, this cannot be handled by the War Production Board alone or even in major part. It involves credit arrangements, transport facilities, raw material supplies, and many other factors which concern a number of Government agencies. I do, however, recommend a positive Government policy in this regard and promise full cooperation by the War Production Board.

This policy would coincide with the interests of the Air Forces. As I understand it, the Army Air Forces wishes to retain ownership to the great Government-owned bomber plants because they are strategic in maintaining preparedness

after the war. In some cases, the Army will wish to keep these plants in partial production. In every case, the Army will wish to lease all or part of the facilities to responsible private enterprise. This will serve the purpose of keeping in the community the industrial know-how and skilled labor force which have been built up during the war—the main requirements for a speedy resumption of mass aircraft production when required by the Army. Even if in some cases the Army may require keeping the plant intact, thus making it impossible to convert to non-aircraft production, it will be desirable to develop other industries in these areas in order to retain in the community the industrial basis required to bring the war plants into operation quickly and speedily.

B. AIRCRAFT

I have little to add to Mr. Patterson's comments on the disposal of Government-owned aircraft. I think that one of the important phases of post-war air transport will be the large-scale use of planes by business firms and Government agencies for speedy liaison required for the most efficient prosecution of industry. The disposal of Government-owned aircraft will give an impetus to this development, which once established will create an important permanent market for the peace-time airplane industry. In addition, the disposal of suitable smaller military airplanes for private pleasure use and for use in training civilians to fly can help to make the whole people at home in the air. I have found the report you published prepared by the Harvard Graduate School of Business an excellent guide in this field.

I would like in particular to call attention to the desirability of having used planes and equipment returned to manufacturers for repair and overhaul before ultimate disposal. With the existing Office of Price Administration price ceilings, this could be done in such a way as to protect the consumer financially while avoiding speculation in airplanes and protecting the public against dangerous and unworkable aircraft. It would immediately help the manufacturers of light transports and trainers whose contracts have been severely reduced and in some cases eliminated. They could do the work right away, keep their personnel together, and begin to build a distribution apparatus for the post-war period.

C. AIRFIELDS

Development of civil aviation on a large scale after the war requires a large network of smaller airfields and landing strips tying into larger commercial fields to the extent that the services wish to dispose of their airfields. They should be sold to municipalities and other local Governments with the coordination and review of the Civil Aeronautics Administration to insure their most intelligent linking with a system of civilian airfields.

Question 8: What plans should be made for a post-war national defense program for the aircraft industry; through research and development; through stand-by capacity; through other methods?

This question is of major concern to the Army and Navy and, I understand, that their plans are in a fairly advanced state. First, both agencies are selecting the plants that they desire to keep in military production after the war, and in stand-by condition. This information is being used in the forward plans for reducing the output of aircraft after the defeat of Germany. Second, they are making plans for continuing in the post-war period research and development in the field of aircraft. It would be most unfortunate to discontinue these activities after spending huge sums on projects which at the end of the war will presumably be in various stages of completion. It seems to me, therefore, most important to provide funds so that the technical superiority in military aircraft that the United States now enjoys will not be lost. Third, a war-mobilization plan for the aircraft industry should be prepared. With the experience that we have had, I am sure that this plan, both in its over-all size, and in its detail, will be far superior to anything we had at the outset of this war.

(Whereupon at 11:55 a. m., the committee adjourned.)

APPENDIXES

APPENDIX I

AIRCRAFT OWNERS AND PILOTS ASSOCIATION,
Washington, D. C., July 14, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: Your letter of July 3 to Mr. Ludington has been forwarded to me, but not in time to get a reply to you by July 12.

Government and other studies indicate that of the order of 300,000 new small planes of the type used by private fliers, and of the order of 3,000 transport planes will be in the air a few years after the war.

We believe this 300,000 figure will be reached only if considerably better small planes are available post-war than were available pre-war. The available pre-war plane owner remained a plane owner only 2.4 years (average) due mainly to insufficient usefulness to him of the plane. Hence, to build a large and sound industry we must have better planes as well as more landing fields.

We believe that your committee should view the matter from two standpoints. Manufacturers of planes should be got into production as soon as possible—

(*a*) On a basis where they can make small planes, engines, and accessories with maximum manufacturing efficiency so that a new era of low costs will replace the pre-war era of high costs for most aviation equipment.

(*b*) On a basis where new models of greatly increased usefulness will come onto the market with utmost rapidity. For instance, we urgently need planes with much lower landing speeds, we need planes with much higher cruising speeds, and we need good amphibious planes, and all of these at popular prices.

As examples of conditions we must change are the following. A pre-war private plane to cruise 200 miles per hour cost of the order of $15,000, a figure totally out of the question for 99 percent of the prospective customers. An amphibian to cruise at three-quarters of that speed cost over $20,000. Radios, engines, speed indicators, etc., cost of the order of 10 times what one is accustomed to paying for automotive equipment.

It is true that pre-war planes could be bought at popular prices, namely in the range of $1,200 to $2,000, but what we need post-war is planes at those prices that are much more useful.

Hence, we urge you to do those things which will result in much better planes at popular prices coming on the market promptly.

Sincerely yours,

L. P. SHARPLES,
Chairman of the Board.

AIRCRAFT SALES CO.,
Fort Worth Tex., July 10, 1944.

Mr. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Committee on Military Affairs,
Washington, D. C.

DEAR MR. MURRAY: Your letter of July 3d addressed to me as president of the National Aviation Training Association in Kansas City just reached my office here in Fort Worth. After reading over your questions quite thoroughly it seems that questions 6, 7, and 8 of your questionnaire are the only ones our association can answer or reply to at all. But those three questions cover a lot of territory, and for that reason I have this minute put in a call to Col. Roscoe Turner, who is president of the National Aviation Trades Association this year.

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I will give him the details of these questions and ask him to contact you direct. The writer was one of the two main organizers of the National Aviation Training Association, which is now the National Aviation Trades Association. For 2 years I was vice president of that association, president last year, and this year chairman of board of directors. Mr. William A. Ong, of Kansas City, and former president for 2 years, is also being sent a copy of your questionnaire with the request that he answer directly to you.

We, the fixed base operator, know full well the scope of our part in post-war aviation, the part we have played in wartime aviation and that of pre-war aviation. We know that the Army and Navy's place in this affair today was made possible through the nucleus that had been built up in pre-war times by this little bunch of pioneers who struck to aviation because they liked it and not because there was money in it.

Through Civilian Pilot Training and War Training Service a tremendously large job has been fulfilled by these operators for the Government in the training of hundreds of thousands of pilots in the United States Army and Navy, for the various Air Transport Commands and the various training fields, to say nothing of the replacements for the air lines which were taken away by the armed forces.

Much credit has been given to labor for its part in building airplanes, ammunition, et cetera; little has been or may ever be given to the various operators, pilots, and mechanics who worked unstintingly for the last 4 years from the very crack of dawn to late at night instructing students Saturdays, Sundays, holidays and all. I say that they can look back on the last 4 years with a great deal of price and with the knowledge that they have done their bit to help their country when it was most needed.

Several hundred operators were employed this way. They, like the manufacturers of airplanes and other things, increased their business in like ratio to take care of the necessary numbers that were given to them. They borrowed capital or got capital to go in with them and now that they are through with this training as of August 1, they have exceptionally large investments which they cannot use if some further encouragement is not given to them. They do not look for subsidies or money help. They look for help in promoting post war aviation and keeping things going that are now started. Things that are so thoroughly needed by the Government to keep its background and backbone of aviation in case it is needed again and in order not to let it get in the same rut that it was before the war started.

The past 4 years have been a period of tremendous educational value to the public in general as far as aviation is concerned. Some 5 years ago the writer recalls that he asked the president and dean of Texas Christian University here to allow him to put a poster in the assembly hall advertising flight courses. This was refused on the basis that if they did so, the parents of the kids at this school would immediately take them out saying that they would not have them in a college that was so slack as to allow youngsters to fly. Today if even a small sponsored flight course of any kind is inaugurated by a school or college, these same parents go to their Senators and Congressmen and raise the very dickens unless their boys or their girls are allowed to participate in this aviation training program. Also, at various gatherings such as at Rotary Club luncheons it was the writer's habit to offer to take whole groups for an airplane ride to acquaint them with aviation. Usually the majority of them refused to go, saying that they had rather keep one foot on the ground. Now, unless one is fully prepared to take everybody at the gathering for a ride, it is a foolish thing to offer to take them because the long beards and all will immediatelyaccept. Four or five years ago one air line accident in the United States would immediately curtail flying on all the air lines for periods of from 2 weeks to a month sometimes. Today, and I have seen this very thing happen; if an air liner crashed on the field while several airplanes were loading for departure, the people would look and remark how terrible it was, but when their trip was called for loading they would board the air liner and continue on their journey. It is about the same principle as a family having someone that they love very much killed in an automobile accident. They climb in a car and go to the funeral—they do not put the car in the garage and never ride in it again. These points are mentioned to try to exemplify the educational value and achievement that we have made in the past 3 or 4 years.

War Training Service recently sold for the Defense Plant Corporation most all of the large airplanes that they have bought from the private owner and the operator for this training program. They are amazed at the tremendous demand for airplanes in the country today. If they had but looked at the number of pilots that are available now and the people that have learned to fly and use airplanes for

transportation, they would have known this demand existed even though they were selling old airplanes. Some 4 or 5 years ago we had a total of 26,000 pilots in the United States. Today there are several times that many pilots outside of the armed forces. These include doctors, lawyers, businessmen, women, and girls who have learned to fly in the last 4 years and does not include nearly 1,000,000 pilots that have been trained by and for the armed forces. The major fields throughout the Nation have been improved and better shops and hangars have been built, but we still need thousands and thousands of airports at smaller towns to make flying popular. The automobile increased in numbers due to an education along that line such as we have had the past 4 years in aviation, and also due to the fact that roads were put in for the automobile. If the roads were not here, the automobile would be of no use, and so it is with flying. We must have many thousands of small airports—not huge investments at just a few centers but small fields scattered throughout the Nation in all the little towns and villages where there can be landing strips. We talk about having the boys come back from overseas to jobs that are ready for them. As far as aviation is concerned there is no better way that I know of or a more proper time to start this as now with the hundreds of operators who have nothing further to do in a military manner. I do not mean for the Government to subsidize these operators or give them money to go ahead with, but to encourage them in going ahead with commercial aviation developments and give them some assistance along that line.

Question 6: What are the most important steps that the Government and industry can take now to promote the rapid development of civilian aircraft production? The personal views of the writer are as follows:

Leaving air line and feeder air line aircraft apart, both of which are actually civilian aircraft, and taking other civil aircraft used for business and pleasure into consideration, first encourage and allow the development and the building of prototype airplanes by the various companies which are now being put out of aircraft production for the Government. The building of a new airplane and the development of new ideas and the testing of them take time. Let that be started now. We realize that there are a lot of things that we need right at the present that are far more important than new airplanes for the private owner. However, building the new prototypes is not satisfying the private owners demand; it is merely preparing and paving the way for the future. Also, in order to keep up the process of education that we have already begun we must set up ways and means of selling the present surplus of army aircraft back to the private owner allowing him to use it if it does not in any way interfere with the war effort such as gasoline production, et cetera. Thousands and thousands of light aircraft or what we call the puddle-jumper class are now standing idle throughout the country. Most of these airplanes need work before they are sold; they need conditioning to make them safe to turn over to people who might buy them. Devise a way of selling these airplanes so that they are handled through legitimate aircraft distributors or through the factories themselves. There are enough approved shops throughout the country to absorb and recondition these airplanes and merchandise some of them. Do not sell those airplanes straight to the customer in the condition they are now. You do not sell trucks to individuals when you are disposing of surplus quantities of those nor do you sell liquor to the individual consumer. Those various commodities are sold to authorized dealers and distributors of the commodity in question. Selling these airplanes on a bid basis is all right, and putting them out in bunches will relieve the Government of a lot of paper work. If they are sold in lots of 25, 50, or 100, it would relieve the pressure of the necessary work of disposing of them through Government channels.

The operators in the field who are now prepared to do such work with approved shops standing idle are also distributors of aircraft whose business was taken away from them through the normal couse of war. It will give them a chance to go ahead and recondition these airplanes and resell them to the public just the same as you do the trucks and the various other surplus equipment. First, the safety of the people who buy these airplanes can best be looked after by selling them to legitimate dealers. Second, it will keep these idle shops going and create work and give an incentive to the men to not close their places. Then another reason and a very important one which we feel cannot be overlooked is this: The majority of light airplanes are sold on the time-payment plan. We do not expect airplanes to be cheaper in the immediate post war era than they were before the war started. In fact, due to labor and all other things combined we expect them to be somewhat higher. The down payment on those airplanes whether it is in the form of a trade-in or by cash will necessarily be a little higher than it used to be. Thousands and thousands of people today have more money than they have ever had before. They are able to buy airplanes such as this

surplus equipment that the Government is offering for sale now and at least they will wind up about the time new airplanes are allowed to be built with an airplane which will form the down payment on a new one.

The writer has been an airplane distributor for many years and I would look toward the sale of these surplus airplanes as an excellent help toward the sale of new airplanes when this war is over rather than a detriment. I have talked to the various finance people throughout the country and they all feel the same way. We all feel that it would be bad to hold that surplus of airplanes too long. Get them in the field and let the people have the use of them and the education that might be occasioned by the use of those airplanes. Let them wear them out and then if the manufacturer cannot build a plane that is more desirable or more economical and better, then manufacturers should not be in business. I have talked to the various manufacturers about this particular thing and all of them without exception were in complete accord. They are not afraid of competing with these airplanes when they start building the new ones.

Further, on the same question: Promote the immediate start or development of small airports. We have always talked of million-dollar airports around large cities. Money is poured into these large fields in huge quantities, but we cannot exist on just the flying that is done around the larger cities. It is a strange thing but it is very true that for population considered there is much more flying done in the average small town than in the bigger city. There are too many other things to occupy the people in the larger cities. I have seen little towns with 25 or 50 private airplanes and in a large town 50 times that size not very far away there would be only half as many privately owned ships. Lots of little towns have some encouragement toward building these fields. Thousands of salesmen for different concerns who would use airplanes in the course of their business do not do so because the only towns they can contact are the large ones with airports and they must cover the small ones also. We do not need fancy paved runways and all the various other facilities of a large airline airport at these smaller places, but they do need enough acreage to form good landing strips into the prevailing wind and as close to town as is practical, and if possible, close to a highway.

Question 7: What principles should be followed in handling Government-owned aircraft factories, aircraft and airfields?

Part of the above question is covered in answering No. 6. As far as aircraft factories are concerned, that is completely out of the category of questions that can be answered by our group. I would say that it might be well to turn the larger Government airfields that are not being used and which are located around larger cities over to the city. Move the hangars away that are not necessary. That can be decided through some expert board that might be set up. Let the city have time to pay for the other hangars and then turn the maintenance of the field back to the city.

Question 8: What plans should be made for a post-war national defense program for the aircraft industry? through research and development? through standby capacity? through other methods?

The above question can be partially answered here, and toward that point that pertains to the National Aviation Trades Association by what might be called a Reserve Officers Training Corps high school and college aviation training program. It can be headed and strengthened by the voting of a strong national civil aviation group and by the education of our people in general and the use of airplanes both for business and for pleasure and by the incorporating of technical development schools into our national school system. By that I mean the training of aviation mechanics and engineers. Along this line, I am going to have Mr. John Wilson, executive director of the National Aviation Trades Association, and Mr. Clarence Mooney, our former national secretary, both of whom are highly posted along this line, to write you in detail regarding their viewpoint.

I want to thank you for your invitation for our association to cooperate with you and to promise you that we will do anything possible along that line. We will be willing to testify any time you might need us or to furnish further information by mail. We feel very thankful that we have a Congress who works with the people on these affairs, and it is truly one of the things that makes the United States a swell place to live in.

Yours very truly,

LESLIE H. BOWMAN, *President.*

AIR TRANSPORT ASSOCIATION OF AMERICA,
Washington, D. C., July 11, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

MY DEAR SENATOR: This is in further response to your letter of June 28, 1944, inviting the Air Transport Association to participate in hearings before the War Contract Subcommittee of the Committee on Military Affairs on July 10, 11, and 12, 1944, by filing a written statement covering such of the issues before your subcommittee at these hearings as concern the air-transport industry. Most of the questions before your subcommittee concern this industry only indirectly, and therefore we will confine our comments to the problem of the disposal of surplus aircraft and its effect upon the development of this Nation's air transportation system and aircraft manufacturing industry. On May 3, 1944, we presented to the Surplus Aircraft Advisory Committee of the Surplus War Property Administration testimony on this subject setting out in some detail the views of the industry. Attached are several copies of this testimony for the use of your committee. However, I will take the liberty of expanding some of the thoughts contained in this statement.

A reading of the attached statement will reveal that the air-transport industry is of the opinion that all of the interests involved in the disposition of transport aircraft could best be protected if the Government would follow a general policy of leasing the transports to those who desire to acquire them. We proposed a lease of 5 years' duration with a total rental payment to the Government of 80 percent of the value of the aircraft, payable in equal monthly installments. The value of the aircraft would in general be determined by reducing the original cost of the aircraft to the Government (adjusted to exclude any effect of high wartime construction costs) by depreciation on a straight-line basis of 5 years with a 20 percent residual value. Thus our proposal does not involve the establishment of purely nominal values which might be expected in view of the enormous surplus of transports which will become available, but envisages a value determined with due regard for the actual cost of this equipment to the Government. The lease we propose would be terminable by the Government at any time in the event of an emergency, but would only be terminable by the lessee prior to its expiration if he was able to show that he had purchased new and more modern aircraft of a substantially equivalent capacity. The major advantages of this proposal are that it avoids overburdening the market with aircraft to the extent that our aircraft-manufacturing industry is destroyed and so draining the resources of the air-transport companies by the purchase of obsolete aircraft that they will not be able to give normal support to the aircraft-manufacturing industry through the replacement of these aircraft with new and more modern ones.

In developing the proposals contained in the attached statement the air-transport industry gave careful consideration to their effect upon the financial return to the Government for the disposal of surplus transports. We concluded that the lease of these aircraft at a fair rental would in all probability return to the Government more money than could be realized by the sale of the aircraft outright. We will develop this element a little more fully.

The major factors involved in reaching a conclusion on this point are the size of the market for surplus transports as compared with the probable surplus and the characteristics of that market. We will discuss these factors in terms of the Army C–47 because this is the type now used by the air lines, it is a tried and tested model, and it will vastly predominate in the number of surplus transports that will become available.

It is impossible, of course, to predict with sureness the number of C–47's which will be available when the war is over, but it appears conservative to estimate that a total of 8,000 of these aircraft will become surplus at that time. In the report of the Harvard Graduate School of Business Administration on the disposal of surplus aircraft which was printed by your subcommittee as Senate Subcommittee Print No. 6, the authors of the report estimated that the maximum demand for all types of twin-engine transports over 20,000 pounds would be 1,975, a large portion of which would be C–47's. It certainly does not appear that the authors of the report underestimated the demand for this type of aircraft, particularly when it is considered that the entire air-transport system of the United States, the most extensive in the world, operated prior to the war with a little more than 400 units of flying equipment. Thus when the surplus is to be disposed of the supply of C–47 transports will be about 8,000 and the maximum demand will be about 1,500.

Now as to the characteristics of that limited market for C–47's—a vast majority of those persons interested in acquiring surplus C–47's will be persons engaged or proposing to engage in the transportation of goods, or passengers, or both. There will be sharp competition in the air-transport field both between the air-transport operators themselves, and between them and the surface carriers. Competition among air-transport operators has always been keen and it can be expected that such competition will increase in intensity as air transportation expands, particularly since the contract carriage of cargo by air will begin its development after the war. Large blocks of cargo will turn upon a fraction of a cent per ton-mile of operating cost and the carriage of great numbers of passengers will depend upon fractional differences in passenger rates. Under these circumstances all transport operators, big and little, will be interested in operating the type of equipment which will produce the minimum of operating cost. The DC–3 type airplane, of which the C–47 is one, is a relatively high-cost airplane when compared with those which will be developed within a very few years after the war. Consequently, the persons forming the entire market for surplus C–47 aircraft must consider that they are acquiring the airplane for purely temporary use until aircraft of lower operating cost can be provided.

This characteristic of the market for C–47's will have a strong bearing upon disposal if the aircraft are to be sold outright. In the first place it will be necessary to dispose of the aircraft rapidly for as soon as more modern aircraft are developed the value of the C–47 will be very limited. In addition, the price offered will be very low not only because the number of aircraft available so far exceeds the possible demand, but also because as businessmen, the purchasers will not be willing to risk a large amount of capital funds which may have to be completely written off when a new airplane becomes available. The Government would in effect be requiring the operators, big and little, to gamble on the time new and better aircraft would be produced and it can be expected that the operators would take a very conservative view of the useful life of the equipment they would buy. In addition, it is possible that the actual number of airplanes disposed of might be reduced by any policy which required operators to undertake such a gamble. In many cases it might make the difference between going into the air-transportation business or not going into it, or of expanding an existing operation or not expanding it.

By reason of these characteristics of the market for surplus airplanes, the air-transport industry's lease proposal is calculated to provide the Government with a better financial return than it would expect from outright sales. It eliminates the necessity for the transport operator to gamble upon the time when new and better aircraft will become available, thereby reducing the risks involved in launching a new venture or expanding an old venture, and increasing the number of aircraft to be sold. In addition, operators would be willing to make a higher total outlay for the equipment.

The lease proposal providing for a fair rental to the Government will permit the establishment of small air-transport operations by veterans. If it be assumed that the annual rental on a C–47 is approximately $18,000, the figure used in the Harvard Business School Report referred to above, this will amount to an equipment cost per day of about $50. If the new operator is unable to pay this sum for the use of an aircraft in his business, it is unlikely that he could enter the business under any circumstances for adequate financing will be required in order to pay the relatively high operating cost of this type of equipment. For example, if the operator flies 1,000 miles per day his direct flying cost on the basis of past experience will be approximately $300 per day. This type of transport operation cannot be inaugurated on a shoestring even if these aircraft were distributed at extremely low prices. In addition, as has been pointed out previously, the small operator who intends to remain in the business must contemplate the necessity of purchasing a new and more modern aircraft with lower operating cost as soon as such aircraft become available in order to meet the competition which will be intense in the field. The small operator will be least able to undertake the risk of having to write off the original cost of his equipment in a short time and will be the least likely to enter the air-transportation business if he must contemplate doing so.

While it appears from the foregoing that the air-transport industry's lease proposal will protect the Government's financial interest in the surplus aircraft, we do not wish to indicate that we think it would be a wise policy for the Congress and the executive branch of the Government to be guided solely by a desire to realize as much money as possible from the available stock of surplus. In the report of the Harvard School of Business Administration, which has been referred

to previously, there is set forth on pages 3 and 4 the objectives which the authors of the report feel should guide the disposition of surplus aircraft. These objectives are as follows:

"1. In establishing policies for the disposal of surplus military aircraft and components, the Army Air Forces have certain major objectives which are of prime importance to the permanent Military Establishment:

"(1) The maximum possible technical development in aeronautics.

"(2) Aircraft production facilities and organizations rapidly expansible and easily convertible in time of emergency.

"(3) A reservoir of service pilots, instructors, mechanics, radiomen, and other skilled ground and flight personnel.

"(4) Strong aircraft-manufacturing and air-transport industries, with the maximum practicable employment and capacity.

"(5) Public support of United States air power adequate for future security.

"2. The War, Navy, and State Departments should have the objective of using surplus disposal as a positive instrument to create sound foreign relations and future trade, especially export trade which may expand United States aircraft productive capacity.

"3. To the extent consistent with the above objectives, the maximum dollar return to the Government should be obtained from surplus disposal. Such return is, however, of secondary importance compared with the vital need for military preparedness and international accord."

We regard this as a sound approach to the problem of surplus aircraft disposal and we recommend that in any legislation standards similar to these be inserted in order to guide and control the administrative agency charged with the execution of the law. The attached statement contains a discussion of the possible effects upon the development of air transportation and the aircraft-manufacturing industry of hasty and unwise disposition of surplus aircraft guided solely by the desire to reap the maximum financial benefit for the Government. We will not repeat this discussion here. It should be pointed out, however, that an unwise disposal policy applied to transport aircraft might well in the long run deprive us of our present position as the builders of the world's finest transport aircraft and deprive the traveling and shipping public of the benefits flowing from the rapid development and improvement of such aircraft. This arises from a natural tendency of businessmen to avoid writing off an investment which has not been amortized. If an air-transport company has a large fleet of obsolete aircraft they may not be so active as they have been in the past in working with our aircraft manufacturers in the development of more comfortable, more economical, and safer aircraft. It was this drive toward constant improvement of air transports that has placed us in our present predominant position and if that drive does not prevail, we will lose our position to foreign competitors. This is just one illustration—albeit a very important one—of the soundness of the policy recommended in the above-quoted report and the unwisdom of any policy which would require those in charge of surplus disposal to secure the maximum financial return, whatever might be the cost to the national interest.

Very truly yours,

E. S. GORRELL, *President.*

DISPOSITION OF SURPLUS AIRCRAFT

(Testimony before the Surplus Aircraft Advisory Subcommittee of the Surplus War Property Administration, by Edgar S. Gorrell, president of the Air Transport Association)

In attempting to decide upon the best way to handle the anticipated surplus of aircraft and related equipment it is necessary first to determine the major objectives. The Government has invested a large amount of public funds in this equipment and as high a percentage of that investment as possible should be recovered. It would also be desirable to have the large stock of surplus aircraft disposed of as soon as possible so that the Government organization or machinery necessary to deal with it could be dispersed and those expenditures saved. It is necessary that international relationships not be disturbed by dumping these aircraft on foreign markets. It is also essential that the air-transport industry not be ruined by the unhealthy development of commercial operations for which there is no public need. The aircraft-engineering development and the aircraft-manufacturing industry must be maintained in a condition properly to expand in the event of another national emergency.

All of these objectives are important and, in disposing of the aircraft surplus, all of them should be kept in mind. But a very brief study of this problem indicates quite clearly that it will not be possible to accomplish them all. Therefore in making plans for disposing of these aircraft and related equipment a determination must be made at the outset as to which of these objectives are most important from the standpoint of the national interest.

Air power is essential for national security. It cannot be maintained unless this country has the engineers, designers, plants, and facilities that go to make up an active, vigorous, and progressive manufacturing industry. A strong air-transportation system is also necessary for national security and to place this country in a predominent position in national and international trade. Here again an active, vigorous, and progressive manufacturing industry is a prime essential. United States air lines cannot expect to outdo their foreign competitors in the air-transportation business if equipment must be bought abroad.

Therefore, in considering all of the problems involved in the disposition of transport aircraft the maintenance of the manufacturing and air-transport industries should be regarded as the primary consideration. The War Department as early as 1934 established as a cardinal principle the maintenance of an adequate manufacturing industry. The Congress in the Civil Aeronautics Act of 1938 recognized the need for a strong air-transport industry in the interest of national security.

In 1940 the War and Navy Departments jointly laid down the policy that the air-transport industry is a necessary adjunct to the national defense second in importance only to the armed forces. Also, the President has said:

"Civil aviation is clearly recognized as the backlog of national defense. * * * The country's welfare in time of peace and its safety in time of war rests upon the existence of a stabilized aircraft production—an economically and technically sound air transportation system, both domestic and overseas. * * *"

The remainder of this discussion will relate primarily to transport aircraft and related equipment because it is with this phase of the problem with which the air-transport industry is especially familiar and with which it is particularly concerned. Many of the same questions to be outlined in discussing transports will probably arise in connection with the disposition of other aircraft and it is possible that they should be dealt with in the same way.

It seems clear that the first thing to be done is to establish a fairly accurate listing of transport airplanes and related equipment. This should be started immediately, because otherwise it is necessary to deal with anticipated problems of disposition without really knowing their full proportions. The inventory should be taken now from military and manufacturers' records and should be maintained currently until the job of disposition is completed. It should include as transports only those types of aircraft which will be economically useful in air-transport service. It is obvious that it will be impossible to reduce such inventory to exact terms but in all probability it can be done with sufficient accuracy to provide a basis upon which to work.

It is also necessary to consider some of the factors which will influence the numbers of aircraft to be considered as surplus.

The age and condition of the aircraft should be carefully considered. If an airplane were found to be so old in terms of hours operated, or in such condition, that it would be difficult thereafter to maintain airworthy, it should be condemned.

The extent to which the military services will continue to use transports will have an important bearing upon the size of the surplus.

When hostilities have ceased in theaters of war the military and naval air-transport operations should not be terminated but should be continued through the use of civilian air-line facilities made available under contracts with the military services. These contract services should be continued pending a determination by this Government and the various other governments concerned as to the permanent disposition of the routes. This would release military personnel to other theaters and permit the civilian operator to begin or continue the accumulation of familiarity with the problems of operating the route.

Another related problem in determining the probable surplus is the extent to which the Army and Navy will conduct air-transport services as part of their permanent establishments. The military services should maintain a fleet of modern transport aircraft sufficient to take care of their day-to-day needs as an integral part of combat units. They should not operate military "air lines" but should rely upon civilian operators to meet their needs. This will have the effect

of reducing military expenditures substantially and at the same time will serve to build up the civilian system so that it can serve as an adequate auxiliary in the time of national emergency.

The possibility of retaining indefinitely a large part of the air-transport fleet now in the hands of the military service as a laid-up reserve has also been considered and found to be subject to serious objection. To do so over the long period which would probably elapse before any future war would be an unwarranted expense because of the high cost of storage, protection, and maintenance in airworthy condition and because the developments in aeronautics will be so extensive in the next few years that, by the time it was needed, the reserve would be so obsolete as to be virtually useless. In any event if efficient and vigorous manufacturing and air-transport industries can be maintained, such a reserve will not be necessary.

These are some of the general principles which should govern in deciding what is surplus. In determining what should be done with the surplus one of the easiest alternatives would be to sell the airplanes at auction to the highest bidder. That plan would accomplish the early termination of Government responsibility for handling the disposition of such aircraft but would in all likelihood result in the Government's failure to realize any substantial amount on its investment. It would damage the air transport industry severely and would destroy the manufacturer. Brokers might buy large quantities of the surplus equipment and dump them abroad. This plan was adopted at the end of the last war and the market was flooded with surplus aircraft and equipment. The manufacturing industry was practically ruined. In many cases the Government realized practically nothing for the equipment. In addition, since the airplanes would probably be sold under these circumstances "as is," the safety of airplane operation in the country would be threatened and the reputation of the manufacturers of the aircraft might be damaged. In view of the volume of aircraft released Government inspection would be difficult. For all these reasons there should be no hesitation in ruling out this alternative.

Another alternative is to turn the surplus aircraft back to the manufacturers who built them for reconditioning, conversion, and sale by them as they see fit. This procedure would eliminate the possibility of flooding the market with damaged and unsafe airplanes for the manufacturers would see to it that any airplane released from the factory was in airworthy condition. However, it would not be possible to turn the whole problem over to the manufacturers without Government control and assistance. If the aircraft were merely delivered on "consignment" the manufacturer would have little incentive to dispose of them. On the other hand, if the manufacturer were required to buy them from the Government it would be necessary for him immediately to flood the market with the surplus aircraft in order to secure the return of his investment.

The air lines favor a proposal for application in the case of domestic users which appears to carry with it the greatest advantages. The Government should retain title to all transport aircraft and lease them to proposed users. For a period of 3 years after the war any financially responsible person wishing to operate an aircraft from the surplus pool could enter into an agreement with the Government by which he would lease the aircraft for a period of not to exceed 5 years. The lessee would be reimbursed for any necessary repairs and desired initial conversion through credits against rent. The maximum rental payment would be equal to 80 percent of the value of the airplane at the time the lease is entered into payable in equal monthly installments. The proposed method of determining the value of the airplane is set forth in some detail in the attached exhibit describing the terms of the lease. In general, the value would be determined on the basis of original cost less depreciation, although provisions are suggested by which lessees would be protected against the effect of any excess cost resulting from wartime purchase by the Government. The lease would be terminable by the Government on grounds of military necessity upon reimbursement of any prepaid rentals. It would be terminable by the lessee on payment of the unpaid portion of the rental or on proof of delivery to him of a new airplane or airplanes of United States manufacture of a capacity at least approximately equivalent to that covered by the lease. If the lessee acquired an airplane of larger capacity he would be permitted to terminate the leases of an appropriate number of other aircraft. In the event of termination upon purchase of a new aircraft the lessee would be entitled to recover prepaid rent. The lessee would be required at his expense to maintain the airplane in airworthy condition and to maintain appropriate insurance to protect the Government.

From the standpoint of national interest many advantages would flow from the adoption of this plan. It is designed to return to the Government a higher percentage of the cost of equipment than any other. At the close of the last war the aeronautical surpluses, as well as others, were disposed of as rapidly as possible at auction or on the basis of sealed bids. Part of the material was bought up by brokers at ridiculously low prices and later resold many times, each purchaser taking a profit before he passed it on to another. This would indicate that the low percentage of return on the Government's investment resulted to a large extent from an effort to dispose of the material as quickly as possible without regard for its original cost. The air lines' proposal contemplates a far more orderly system of disposition and one which will place the equipment in the hands of responsible people who will actually operate it. In other words, the air lines suggest disposition direct to the ultimate consumer with the Government taking the middleman's profit.

The manufacturing industry which is so vital to national defense would be protected in two ways:

First. The interim period between the completion of war contracts and the beginning of new production could be occupied with the repair and reconversion of the surplus aircraft. While lessees would not be required to have this work done by the manufacturer and could utilize any responsible organization for that purpose, the manufacturers would undoubtedly be employed to do a substantial amount of this work.

Second. The lease arrangement is calculated to encourage the purchase of new and more modern equipment. The new equipment undoubtedly will be superior in performance and operating economy, and thus it will be the natural desire of aircraft users to secure modern types. If they are forced to purchase old equipment the purchasing of new will be impeded while if they merely lease the equipment, as we propose, that impediment will be removed. In addition, the lessee will be able to terminate the lease without any monetary loss if he buys a new and comparable airplane. It is not anticipated, of course, that the manufacturing industry would thus be maintained at its present level. But the plan would help the industry to readjust gradually to its peacetime size ready to expand again if another national emergency required it so to do.

It is unlikely that this plan can be used in all cases exactly as it has been described. In some few cases it may be necessary to make exceptions.

The plan should certainly be applied to the disposition of aircraft to United States flag air lines. The air lines have attempted to forecast the number of airplanes that they could take under this plan, but a variety of factors makes any prediction very uncertain. The training of personnel to commercial standards, the rapidity with which new aircraft are developed and the extent to which foreign travel is developed or restricted are some of the factors which make prediction difficult.

Whatever may be the number of aircraft that the air lines can take from the surplus the air carriers should be permitted to take the surplus airplanes as they become available until they have expanded their fleets to the point where they can satisfy public convenience and necessity. So long as there is a shortage of transport equipment the units should be distributed among the various air lines in accordance with determinations by the Civil Aeronautics Board. In reaching such determinations the Board should give full consideration to maintaining the relationship which existed between the fleets of the various air lines, including aircraft on firm orders as well as in operation, when production and delivery of commercial transport aircraft were restricted prior to the war. When a group of airplanes becomes available, each air line should have an opportunity to take the number of airplanes which bears the same relationship to the entire group being distributed as the number of airplanes on firm order and in operation it contributed to the United States and its allies bears to the total number of such aircraft so contributed by all the air lines. It will not, of course, be possible to follow this formula with mathematical accuracy with respect to each group being distributed but as other groups become available adjustments may be made to keep the air-line fleets in proper balance.

Another substantial market for the surplus aircraft will be the nonscheduled operators, including both the common and contract carriers. These enterprises will have to be reestablished or inaugurated with aircraft from the surplus pool, to be replaced thereafter with new aircraft from the factory. There appears to be no reason why this proposal should not be applied to them. Nor does there appear to be any reason for not applying the plan to noncommercial operators, private carriers, and companies who propose to acquire aircraft for the transportation of officials and company material.

Aviation schools should also constitute a substantial market for aircraft and accessory equipment. This is particularly true of schools giving advance flying courses in multiengine equipment and aviation mechanic, instrument, and radio schools. In the case of the acquisition of aircraft by such schools for flight training, this proposal should be applied. They should not be required to invest their capital in obsolete equipment and the sale to them of outmoded aircraft should not be permitted to reduce the market available to the manufacturer.

The lease proposal should be applied to acquisitions by governmental units for use by them but the equipment should be leased at a nominal rental or without charge by the disposal authority. Government agencies may be able to use an appreciable part of this equipment. Federal Government agencies such as the Civil Aeronautics Board, the Civil Aeronautics Administration, the Weather Bureau, the National Advisory Committee for Aeronautics, and the Forest Service have never had enough aircraft to engage in many activities which would contribute to the advancement of aviation or otherwise benefit the public. In addition, State agencies can use aircraft for police work, mapping, and other similar activities. Also it seems likely that a substantial amount of this equipment can be distributed to public and private organizations for educational or exhibition purposes. Every effort should be made after the war to continue and expand the aviation educational program which has already been inaugurated. Every high school should provide facilities for teaching elementary aviation subjects and the surplus aeronautical equipment can be used very effectively in furthering this program.

In view of the fact that this country has been outstanding in the development of transport airplanes it will be in possession of a major portion of the world's air transports when the war is over. It is possible, therefore, that the surplus transports and related equipment can be employed to equip or reequip a large part of the world's air-transportation system. The foreign market under properly regulated conditions will provide an excellent outlet for surplus aircraft and the United States manufacturers will have an unparalleled opportunity to establish themselves in the foreign field. In disposing of aircraft to foreign governments or operators the lease proposal should be altered. No lease should be entered into unless the lessee has placed an order with an appropriate deposit with an American manufacturer for an airplane of comparable and more modern type. If a nation anticipates the immediate establishment of a manufacturing industry of its own, it may turn out to be impossible to impose these conditions upon the purchasers but there will be a great number of nations who will not have any such aspirations. In those cases the manufacturers, by receiving orders for new aircraft, will be able to establish themselves in these markets.

In any case our stock of transports should be used as an instrument in international bargaining. The representatives of this Government can certainly take the position that the release of aircraft to foreign governments or operators would have the effect of permitting them to compete more effectively with United States flag air lines operating abroad. Consequently they can urge that substantial concessions should be given in return for giving up this competitive advantage.

These are possibilities which should be given the most careful consideration by those in charge of the disposition of aircraft and those participating in international air-transport negotiations.

This possibility of disposing of our surplus aircraft in foreign markets is one which will require the most careful and detailed advance planning. Other nations have been building some transports during the war and they will also be anxious to dispose of whatever surplus they have and to establish themselves in the available markets. Consequently, every effort should be made to act with the greatest possible speed when a surplus of aircraft becomes available for disposition abroad. Careful study should be made of available foreign markets and detailed plans established for securing them. Particular attention should be given to studies relating to the development of the air-transport systems of nations which do not have adequate transport systems at the present time. It might be possible in such countries to make a very substantial contribution to the development of the country and at the same time dispose of a large portion of the surpluses. Such a plan would envisage not only the disposition of aircraft but also related ground and flight equipment.

These are the markets for the disposition of aircraft and aeronautical equipment. There may be others not considered and others may appear as time passes, but it should be recognized at the outset that when these markets are

all exhausted a number of aircraft may remain. In addition, when the manufacturing facilities have again established peacetime production, the leased airplanes will be returned. When that time comes the airplanes should be dismantled and the materials which went into their construction should be preserved as a part of the country's normal future stock pile in order that this country's ability to meet a national emergency will not again be impeded by the acute material shortages that were being experienced not long ago.

The disposition of spare equipment and spare parts has not been specifically covered. The Civil Aeronautics Board has established in the Uniform System of Accounts a fairly definite line of demarcation between spare equipment on the one hand and spare parts on the other, spare equipment including the larger units. Spare equipment should be treated in accordance with the same general principles as aircraft although the details will not necessarily be applicable. Spare parts should be disposed of in any way considered appropriate by the agency disposing of the material.

One further point should be mentioned. The problems of disposing of surplus aircraft are at hand and are not merely to be anticipated in the far-distant future. Whatever organization is to be established and whatever legislation is to be recommended should be acted upon as promptly as possible for this reason. The air lines have already received a few aircraft and it is possible that additional ones will be released for their use in increasing number as time passes. Whenever an aircraft is released to an air line the air line must buy it outright at a price fixed by the Army and Navy. Every dollar the air lines invest in the obsolete equipment they are now receiving, is a dollar which cannot be spent in buying the more modern, efficient types which will become available later. It is possible that the air lines would find it difficult financially to embark on a reequipment program if their reserves have been used in the purchase of outmoded airplanes. The public is entitled to the best and cheapest transportation, and the air lines can provide it only if they take advantage of aircraft developments as soon as they become available. In addition, the ability of the air lines to buy new equipment is a major factor in supporting the manufacturing industry. For these reasons it should be possible right now for the air lines to follow the plan which has been recommended. In this way they could lease the obsolete aircraft which are being returned to them at a fair rental and undertake to purchase new aircraft from the manufacturer at the proper time. In fact, the plan should be made retroactive to cover aircraft already acquired from the Government by the air lines.

By the way of summary: Where aircraft and equipment are being or have been acquired for commercial or private purposes they should be leased to the person desiring to acquire them and the full rental payment should be required. Where the equipment is being acquired for governmental purposes, instruction, exhibition, or for other noncommercial public uses, it should be leased for a nominal rental or without charge. In the latter case appropriate provisions should be inserted in the leases to make certain that the lessee does not use the equipment for commercial purposes, or in competition with private enterprise.

Suggested Conditions Governing Lease of Aircraft

1. *Period of availability.*—This shall be 3 years after war's close.
2. *Term of lease.*—Original term of the lease not to exceed 5 years from date of delivery.
3. *Delivery.*—Airplanes to be delivered to point designated by lessee.
4. *Airworthiness and conversion.*—Lessor will be responsible for the expense of overhaul, restoration to airworthy condition (Civil Aeronautics Board standards) and conversion (from military use to commercial use) to the lessee's initial intended use. If the lessee advances the cost or performs the work the cost shall be allowed as a prepayment of rent.
5. *Monthly rent.*—Eighty percent of valuation of aircraft divided by number of months in term of lease (extension one-sixtieth on 5 years).
6. *Valuation.*—Original cost to the Government at the time of its purchase by the Government, except that such cost shall not exceed the contract price or other reasonable price of a comparable airplane produced under pre-war, peacetime conditions, such original cost to be reduced by due allowance for depreciation for any use prior to acquisition by the Government; (*a*) less cost of equipment removed and returned to or retained by the Government; (*b*) less depreciation since purchase by the Government computed on a straight line basis of 5-year life with 20 percent residual value.

7. *Termination (domestic user and United States flag operator).*—By lessor for military necessity only, on payment of unamortized portion of conversion cost and reimbursement of any prepaid rentals. By lessee on payment of the unpaid portion of the rent or on proof of delivery of new airplane or airplanes of United States manufacture of at least approximately equivalent capacity. If the lessee receives an aircraft of larger capacity than the one under lease, he may terminate the leases of such number of aircraft as may be approximately equivalent in capacity to the one delivered. In the event of termination on delivery of new aircraft the lessee is entitled to recover prepaid rent.
8. *Termination (all others).*—Same as paragraph 7 except that the lease may be terminated at the discretion of the United States Government.
9. *Maintenance.*—Must be maintained by lessee in airworthy condition (Civil Aeronautics Board standards) at all times with suitable provision permitting substitution of accessories or equipment and alterations for use.
10. *Insurance.*—Adequate insurance must be carried by lessee to protect the Government's interest or, on proof of financial responsibility, approved self-insurance may be carried.
11. *Financial responsibility.*—The lessee must give evidence of financial responsibility.

Lease of Spare Equipment

The general principles of aircraft lease should be followed although detailed provisions would not in all cases be applicable.

Kellett Aircraft Corporation,
Upper Darby, Pa., July 19, 1944.

Statement Re Rotary-Wing Aircraft

(By W. Wallace Kellett)

Rotary-wing aircraft at present are in an extremely crude state of development as compared with the airplane.

It is not often realized that, whereas the conventional airplane as we know it today is an engineering development representing several million man-hours of engineering over a period of many years, the present types of rotary-wing aircraft are not fully engineered and represent only a few hunderd thousand engineering man-hours.

The further development of rotary-wing aircraft for military and commercial purposes is a question of first, engineering, and secondly, of broad testing in actual use of the types of aircraft which present engineering can produce.

The potential military and naval uses of such aircraft have been adequately expressed by many competent military, naval, and Coast Guard authorities and, I believe, are a matter of record in many quarters.

The potential commercial uses are indicated by the many applications of transportation companies now on file in Washington for the establishment of passenger and cargo helicopter services and, also, by the expressed interest in this type of aircraft by Government and civilian authorities for forest patrol, geological survey, emergency rescue work, development of oil fields, and as means of transport for the private individual.

As I see it, Government interest in the continuance of a strong, healthy American aircraft industry must be based upon, first, our national defense; secondly, the economic well-being of our own people; and thirdly, the position we desire to maintain for our products in the markets of the world. I presume our Government will do everything possible to assure an aircraft industry which can and will maintain the position of our Nation in these respects.

It is the opinion of many competent military, naval, Government, and civilian personnel that rotary-wing aircraft when further developed will play a very important part in the achievement of the three above-mentioned factors. Obviously, therefore, we should plan a program for rotary-wing aircraft development in proportion to the program which we undertake for the development of conventional aircraft.

In other words, if we plan to devote a billion dollars to conventional aircraft development, it would be inappropriate to devote only a million dollars to rotary-wing aircraft development. If and when we recognize this fact and devote a proportionate amount of development funds and efforts to rotary-wing aircraft

in all its phases, including research, development, and field testing by obtaining reasonable production quantities of these aircraft, then I believe development of this type will proceed with much nearer the same speed that development of our conventional aircraft proceeds. Also, we may be surprised then by the rapidity with which rotary-wing aircraft will expand its field of practical utility for all military and commercial purposes.

Kellett Aircraft Corporation has devoted itself unremittingly to this field for the past 15 years and is the Nation's oldest rotary-wing manufacturer. In this time, through the use of our own resources and the assistance of the United States Army Air Forces we have been able to devote a few hundred thousand man-hours of engineering time to the problems of developing practical rotary-wing aircraft. This has not been enough. In 15 years, we have been able to manufacture hardly more than 50 of these aircraft in all.

I have read in the aviation press that there have been fewer than 100 helicopters produced in the United States to date.

The quicker five or ten million more engineering man-hours can be applied to rotary-wing aircraft, and the sooner a few hundere various types can be produced and put to work, even in their present stage of development, the better the chances will be of fulfilling our military needs, creating employment, and establishing our position in world markets.

NATIONAL PIANO MANUFACTURERS ASSOCIATION OF AMERICA, INC.
Chicago, Ill., June 22, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR SIR: Your good letter of the 15th addressed to me as president of the Everett Piano Co., to which I am taking the liberty of replying as president of the National Piano Manufacturers Association, has not been answered earlier by reason of my absence. The copy of bill S. 1730, print 3, which was attached has been read with considerable interest and with the conclusion that this would be a very constructive piece of legislation. It is being passed along to our association and commented upon accordingly.

We welcome the opportunity to tell you briefly about the problems faced by the piano industry now and in the reconversion era. It can be said at the outset that our industry is very easy to reconvert; in fact, were certain matters such as price approval by Office of Price Administration handled more expeditiously, we would not today be subject to about an 80 percent shut-down and could be at least in partial production, doing our part to take up the slack of unemployment which is present over a great section of this country, whether or not it is admitted officially. War Production Board has already authorized a certain number of pianos to be manufactured for a limited usage, such as teaching and institutional purposes, and if today our industry were permitted to price the product produced by it on a realistic basis, taking into account authorized wage and material cost increases, we would be in production on a fairly high scale.

Our industry is a small one, but it is none the less vital since our product certainly fills a necessary place in our present-day standards of civilization, and of course any shut-down is of the utmost concern to those who depend upon the industry for a livelihood. We have about 35 assembly and supply units scattered over the country east of the Mississippi River employing in normal times about 8,000 workers. Many of these units are located in group 2 and 3 areas. In the retail end, which must secure its product from the manufacturers, there are probably 8,000 more persons employed, and perhaps what is more important this group is composed largely of small retail units which do not have large accumulations of working capital.

The skill of our industry which among other things must produce highest-grade wood fabrication was utilized to a considerable extent in carrying out the wooden aircraft program. As you probably know, this program is now largely suspended, and if we are to keep together a business nucleus which will furnish employment in the future, relief must be forthcoming, and soon, this because as an industry we do not have the financial strength to go through any extended period of idleness and still have remaining sufficient working capital to build up a future operation on anything like the required scale.

As we see it, the reconversion problems of our industry are relatively easy, if they do not become lost in a maze of irrelevant discussion and misconception. Lumber is the only critical material, and many of our plants have a sufficient

stock of this on hand to at least make a start and probably continue production until the situation is relieved by the slackening off of war needs. We have the help and plants available and certainly tremendous pent up demand for our product. It is estimated that it will take us a year to stock up our retail dealers with normal inventories.

The hitch is now with Office of Price Administration, who so far have not conceded that pianos must be sold at a higher price than the one established in March 1942. Certainly prices must be increased, unless we can induce suppliers to lower the cost of raw materials and reduce the wages of labor to the scale prevailing at the base period. It is manifestly impossible to reduce raw materials, and it would seem to be against public interest to attempt to reduce the wages of labor.

In other words, given cooperation we can soon be back in production and take up our share of the slack in employment. In fact, we should be able to increase our pay roll at least 25 percent ahead of where it was in August 1942 when our industry was suspended.

If there is any further information you desire, we will be glad, indeed, to cooperate. Should you wish one of our members to appear before your committee, we can arrange to have one of our eastern associates on hand on short notice.

Very truly yours,

GEORGE H. STAPELY, *President.*

WRITTEN TESTIMONY OF W. LAURENCE LEPAGE, PRESIDENT, HAVILAND H. PLATT, VICE PRESIDENT, PLATT-LEPAGE AIRCRAFT CO., EDDYSTONE, PA.

JULY 19, 1944.

The Platt-LePage Aircraft Co. was organized in 1938 by Haviland H. Platt and W. Laurence LePage, aeronautical engineers who, individually and together, had been devoting most of their time to the development of rotary-wing aircraft over a period of some 15 years prior to the creation of the manufacturing and development company which bears their two names.

In 1940 the Platt-LePage Aircraft Co. won the Army helicopter design competition with its model PL–3 helicopter which later became the Army Air Forces model XR–1, a two-place observation-type machine with a Wasp, Junior, 450-horsepower engine. Characteristic of our Platt-LePage helicopters, this machine and its subsequent revision, the XR–1A, has twin rotors laterally disposed, and needs no tail rotor for torque neutralization. The Platt-LePage machines are, therefore, in many respects similar in general outline appearance to the conventional airplane.

The XR–1A helicopter, currently undergoing tests in the hands of the Army Air Forces, Matériel Command, Wright Field, Dayton, Ohio, is a smooth-flying aircraft with substantial lifting capacity and satisfactory high-speed performance in comparison with similar-size helicopters currently undergoing development.

These witnesses do not wish to pose as experts on military and naval uses and applications of an aircraft of the helicopter type. Such facts concerning the performance of Platt-LePage helicopters as have been gathered over the past 3 years of actual flight testing do, however, point to obvious and inevitable active-service possibilities.

The ability of the XR–1A-type helicopter to take off and climb vertically from areas less than 100 feet square with over one-half ton of useful load, indicates innumerable tactical and emergency uses. Rescue work on land and sea is immediately suggested. The installation of one or two externally mounted litters or stretchers would enable the speedy removal of wounded or injured from confined jungle areas or the sea. An aircraft carrier with one or more such machines on hand would be in a position to retrieve flight crews of planes shot down at sea far more expeditiously than with motor launches. Such helicopters would be equipped with pontoons for water landings, and if the surface were too rough, injured personnel could clamber aboard the hovering aircraft without necessity for an actual alighting. Similar circumstances would, of course, pertain in heavily wooded jungle regions. Other evident military uses of aircraft of the XR–1A type are the laying of telephone cable, the landing and retrieving of secret agents, and, with larger machines, the secret landing of crews to plot and plan invasion tactics. Aerial reconnaissance, spotting, and liaison services also come within the range of inevitable helicopter application.

In the field of post-war civilian services, the helicopter with a substantial lifting capacity would have immediate air-transport possibilities of great value to the community. These witnesses are of the considered and conservative opinion that

the small private helicopter for family use will be delayed some years while simplicity of operation, manufacturing costs, and service problems are solved to the point where the inevitable "rough and ready" handling by the private owner will no longer seriously damage either his person or his pocketbook.

Furthermore, individual flying for the masses is still a serious problem of great magnitude, and the "man in the street" will buy a ticket to fly from here to there long before he is ready to own himself the machine in which he is to make the trip.

These witnesses are prepared to go on record as being of the strong and considered opinion that the transport helicopter will be a twin-rotor machine, similar to the Army's XR–1 and XR–1A types, rather than a single-rotor helicopter with torque and control tail rotor. This opinion is based upon vital aerodynamic and mechanical reasoning, the details of which will no doubt be considered by the committee as outside the scope of present testimony.

A transport helicopter meeting the requirements is within reach of present helicopter design and construction knowledge. In fact, a 10-place prototype twin-engine helicopter is already in the preliminary stages of design.

Large transport airplanes, designed and built after the war from our big-bomber prototypes, will need very much larger airports and longer runways than the great majority of those at present available. Such airports of the present and post-war era are of necessity being located at points removed considerable distances from the centers of our principal cities.

Thus, in spite of the ever-increasing speeds of air-transport services, the traveler is becoming more and more inconvenienced and his total travel time greatly increased by that portion of his air-travel schedule which must, at present, be allocated to slow ground transportation between city centers and airports.

The helicopter argument is, of course, not new to the members of the committee. Small downtown landing areas for transport helicopters will permit air shuttle services to speed up over-all air-travel time by large percentages and will pull into the air-transportation map communities, towns, and even cities which otherwise could not economically be served.

We desire to make clear to the committee our confidence that these forecasts for the helicopter in civilian service are real and practical but will be realized only as a result of an aggressive pursuit of present development programs. Helicopter design and development to date has called for an application of the most advanced mathematical, aeronautical, and mechanical abilities. Truly remarkable strides have been made and the helicopter, as a practical aircraft, has at last been established, but the development costs have been tremendous and will continue at a high level if the early future, as outlined, is to be realized. Our company has spent large sums of its own funds in this development during the past 5½ years and has enjoyed some considerable financial support from its development contracts with the Army Air Forces. Nevertheless substantial losses have been and are being sustained in our company operation. These burdens are worth while only if the continuity of the work is to be maintained.

COMPOSITE ANSWERS SUBMITTED BY AVIATION SECTION, NEW YORK BOARD OF TRADE, TO QUESTIONS FOR DISCUSSION ON AIRCRAFT INDUSTRY IN RESPONSE TO REQUEST OF SENATOR MURRAY, CHAIRMAN OF WAR CONTRACTS COMMITTEE, AS COMPILED AT A MEETING OF THE SECTION'S EXECUTIVE BOARD ON JULY 14, 1944

Question No. 1: To what extent is it necessary to achieve better coordination between the cut-back program of the Navy Department and that of the War Department? How can this best be achieved?

We believe that Joint Chiefs of Staff should appoint a committee, in case one does not already exist, to coordinate cut-back programs between the Navy Department and War Department with the view of accomplishing the following:

(*a*) Avoiding impairment of facilities necessary to the post-war national defense.

(*b*) Avoiding widespread unemployment.

Question No. 2: Once it is decided to cut back a given program by a given amount, what yardsticks should be used in deciding which companies are cut and how much each company is cut?

In the cut-back of a given program, utmost consideration should be given:

(*a*) To the convertibility of the plant involved.

(*b*) Avoiding unemployment.

Question No. 3: What should the policy governing advance notice of cut-backs for (*a*) the company? (*b*) the subcontractors? (*c*) the employees? and (*d*) other Government agencies?

It is our recommendation that the Government observe the utmost frankness in giving maximum advance notice on cut-backs to the prime contractor and to the subcontractor.

Both the foregoing have interest in advising their employees as soon as definite information regarding cut-backs is received. Insofar as other Government agencies are concerned, advance notice to such agencies should be given when they are concerned in the matter from the standpoint of finance, manpower, facilities, etc.

There will be certain advantages both to corporations and to companies to cut back on the basis of tapering off rather than complete terminations. It is suggested that upon cancelation of the balance of a contract, it affect a stoppage of 25 percent of the work immediately, an additional stoppage of 25 percent in 30 days, a further 25 percent in 60 days, and the balance in 90 days. This would not only ease the labor situation but would have the advantage from the Government standpoint of tapering off on the production line instead of immediately turning it down, so that if conditions changed within 3 months, production could easily be resumed.

Question No. 4: What provision should be made for employees who are released from wartime aircraft production? through unemployment compensation? through retraining? through transportation to other localities?

The most important provision that can be made for employees who are released from wartime aircraft production is the expediting of production work on civilian requirements. Severance pay should be provided. It is not thought that retraining is especially necessary. In cases where employees have been removed from their original homes, transportation back to their original homes or to a point equidistant where work is available, should be provided to them.

Question No. 5: How can production cut-backs in aircraft best be integrated and synchronized with the development of other types of war production?

This might be achieved by assigning the problem to the committee suggested under paragraph I.

Question No. 6: What are the important steps that the Government and industry can take now to promote the rapid development of civilian aircraft production?

The Government should cooperate with industry now to permit the rapid development of civilian aircraft production by—

(*a*) Releasing when possible additional engineering for civilian aircraft design.

(*b*) Allocating materials now for the fabrication of prototypes.

(*c*) In certain cases ordering service test quantities of new devices calculated to add to safety, economy, and ease of operation of civilian aircraft.

(*d*) A general policy regarding international aviation must be decided upon and the necessary steps taken to arrange for the use of foreign bases, etc. A definite policy as to the carrying of all mail by air and the clarification of the granting of new air routes will do much to promote the industry. A 5- or 10-year program for production of new aircraft should be determined upon, probably on some percentage of present business, say 10 to 20 percent, in order to keep our air force adequate and modern and to keep our industry going. A definite training program should be scheduled, something along the lines of the civilian pilot training program, utilizing the colleges and the high schools, together with the local operator, and making available training equipment which will be on hand at the end of the war. We can think of no better way to promote aviation in general than to train one, two, three, or five million boys and girls over the next few years. There should be a definite and coordinated program of instruction in aviation starting in the grade schools and schools and continuing through levels. A certain amount of military training, both pilots, mechanics, and technicians should be handled through the civilian industries, even if it is only in token amounts. All of our research facilities, such as the N. A. T. A. should be continued, and should be augmented through the engineering departments of the industry.

Question No. 7: What principles should be followed in handling Government-owned aircraft factories, aircraft, and airfields?

Aircraft factories should be offered for sale or lease to aircraft companies. Such factories as are not disposed of in this manner should be maintained in stand-by condition for future use, provided the Joint Chiefs of Staff consider such a program necessary to the national defense. Such plants as are not sold, leased, or maintained as stand-by should be closed or scrapped. Government-owned airfields should be offered for sale or lease to communities needing them for feeder operation, fixed-base operation, or current usage for civil purposes. Such fields as are not disposable according to the foregoing formula should be declared surplus and dismantled, the land being sold as land and not as airfields.

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PROPOSALS RESPECTING DISPOSAL OF GOVERNMENT'S DECLARED SURPLUS (AIRCRAFT, POST-WAR)

1. That a principle be established of "regional disposal." This means that such United States owned aircraft and accessories as are declared surplus by the Army and Navy be disposed of in the district (country or territorial region) where it is physically located at the cessation of hostilities.

2. That no part of such surplus aircraft or accessories be returned to the United States for disposal.

3. That no such surplus aircraft or accessories be disposed of in any country, for resale in another country.

4. That any of such surplus aircraft or accessories sold to any given country be used exclusively in that country, except where a sale to air lines domiciled in the country is concerned.

5. That all surplus aircraft and accessories not disposed of according to the preceding formula be dismantled and rendered useless and the materials therein disposed of as materials and not as products, the proceeds of such sale of materials to be covered into the Treasury of the United States.

6. That such surplus aircraft and accessories located in the United States or its possessions upon the cessation of hostilities be disposed of as follows:

(*a*) By sale to air lines, aircraft manufacturers, and other users for conversion into craft utilizable for civil purposes.

(*b*) By gift to accredited colleges, technical schools, museums, etc., for the purposes of aiding in studies.

(*c*) By gift of suitable craft to cities and other municipalities for police usage.

(*d*) By gift to accredited organizations (Red Cross, etc.) for transport usage.

(*e*) By assignment to National Guard units throughout the United States.

7. That any and all remaining surplus aircraft and accessories be disposed of in a manner identical to that proposed in paragraph 5, in conformity with the policy of "regional disposal."

COMMENTS

The prime objective of the foregoing plan is to prevent disruption of normal trade. By utilizing as much as possible normal trade channels for the disposal of surplus aircraft material, the aeronautical industry will be aided greatly in its return to normal status. No surplus aircraft or accessories must be allowed to fall into the hands of speculators, national or international trades unauthorized converters, etc. Whenever possible surplus equipment to be resold, reconditioned, or salvaged, should be channeled through existing established manufacturers and similar agencies. There should be no "throwing on the market" of surplus equipment.

Any arguments against the scrapping of surplus material which has been purchased by the taxpayers money, can be offset by the argument that such a practice would be less harmful to the national economy than dumping on the market. Dumping would result in serious impairment of our manufacturing and engineering facilities. Such impairment would not only create unemployment, but would prejudice engineering and research development necessary to national defense.

Without attempting to forecast the size of the Government's stock of aircraft and accessories at the close of the war, here is an example of possible disposition under the foregoing program.

Suppose on hand (in all parts of the world)

	Planes
American-owned aircraft	100, 000
Squadron and trainer requirements, Army and Navy	30, 000
Contributed to—	
International Police Force	5, 000
U. S. National Guard	5, 000
Technical schools, etc	20, 000
Municipalities	2, 500
Institutions, organizations, and museums	2, 500
Dismantled, rendered unusable, sold for materials	30, 000
Total	100, 000

Along with the above, after reserving a suitable stock pile of up-to-date instruments and accessories for emergency use, the declared surplus of such instruments and accessories is to be allocated proportionately to the above recipients. Means are to be provided that no such surplus instruments and accessories be resold by any of the recipients of such material. Any quantities remaining after this allocation are to be rendered useless and disposed of as materials, the proceeds of such sale being covered into the Treasury of the United States.

Question No. 8: What plans should be made for a post-war national defense program for the aircraft industry? through research and development? through stand-by capacity? through other methods?

The aircraft industry requires for post war national defense the following:

(*a*) A sound manufacturing and engineering industry.

(*b*) Legislation to provide separate budgets for general procurement and the procurement of service test quantities on aircraft and equipment.

(*c*) Fullest encouragement should be given to research and developments by providing funds for the purpose of advanced engineering developments in all phases of aviation both commercial and military. For stand by capacity, see paragraph 7.

(*d*) Domestic air transport should be expanded now so that it can be ready to absorb the vast army of returning pilots, mechanics, and other specialists.

APPENDIX II

DEPARTMENT OF COMMERCE,
CIVIL AERONAUTICS ADMINISTRATION,
Washington, July 10, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

MY DEAR SENATOR MURRAY: In reply to your letter of June 28, we are not conversant enough with the Army and Navy program to express an opinion on questions 1, 2, 3, and 4 of those submitted with your letter.

Commenting on question 5, it appears that this could be best accomplished by cutting back, first, if possible, the manufacturers of civil air transport aircraft, such as Douglas, Beech, Lockheed, etc., and let them deliver some of their Army and Navy cargo models to domestic and foreign air lines. Also, cut back on manufacturers of personal civil aircraft, such as the Aeronca, Piper, Taylor, Cessna, Waco, etc., and let them start producing civil types.

With reference to question 6, we should immediately decide on a post-war civil airport policy, as to whether or not Federal aid should be given, and, if given, on what basis it will be distributed. We should also allow companies to complete and test prototypes of new civil aircraft, and to build a reasonable number for demonstration purposes with which to line up dealers and interest potential customers.

With reference to question 7, aircraft factories should be sold, if possible, to aviation concerns at low prices and on long-term credit.

Our recommendations for the disposition of aircraft are to utilize as many of the cargo types as possible in demobilization work, scrap the well-worn ones, and sell those not needed in military service to commercial operators, domestic and foreign, on an installment purchase basis. Liaison types that will meet the requirements for commercial certificate and are in airworthy condition should be sold to civil purchasers, domestic and foreign. Trainer and combat types, excess to the military needs for active and reserve training, should either be scrapped or sold at low cost to friendly nations whom we should like to have build up their air forces, or develop their civil aviation. Some of these can also be distributed to educational institutions for shop training.

Airfields should be made available to States, cities, or counties for civil use, so far as practical, keeping those that appear desirable in a stand-by status and selling the remainder, in whole or in part, to anyone who will purchase them.

Under question 8, this should be done through research and development, and the purchase of newly developed aircraft yearly, retiring obsolescent types, even though little used.

It is our opinion that stand-by capacity should be maintained at a minimum, because the moment this war is over the type of combat aircraft now in use will rapidly become obsolete; therefore, to maintain stand-by capacity for planes which no longer are combat worthy is a waste of money.

We believe that the most effective program for National Defense would be one emphasizing the continued development of civil aviation through widespread use of the airplane by the public. The familiarity of our boys in the military forces with automobiles and mechanics in general has been a great factor in our present successful prosecution of the war, and so undoubtedly will success in future conflicts be measured in direct proportion to aviation knowledge and superiority.

Very truly yours,

J. E. SOMMERS, *Deputy Administrator.*

UNITED STATES MARITIME COMMISSION,
Washington, D. C., June 26, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs,
United States Senate.

DEAR SENATOR MURRAY: This will acknowledge your letter of June 15, 1944, relative to the termination of certain work under contracts between the Commission and MacEvoy Shipbuilding Corporation.

This was a case of partial termination of work under the contract, the contractor being notified of such partial termination on August 3, 1943, or approximately 10 months prior to the date on which the unterminated portion of the contract was completed. When the partial termination was decided upon, the contractor was asked to come to Washington and a revision of his contract was agreed to whereunder a lesser number of concrete barges would be constructed.

In September of 1943 I wrote to the Secretary of Navy and Secretary of War stating that the Government-owned shipyard at which MacEvoy Shipbuilding Corporation had been performing contract work would probably be available for use in connection with other Government work in the late spring of 1944. Both Secretaries replied to my letter stating that their Departments had no use for such shipyard. The War Production Board was advised of the change in the concrete program.

The partial termination of the contract effected in August of 1943 did not have the effect of requiring any reduction in employment in the shipyard at such time, nor was any substantial reduction made in the number of employees in the shipyard for several months thereafter. The regional office of the War Manpower Commission was advised that no further work would be available for the shipyard and was furnishied with schedules showing anticipated reductions in employment.

Sincerely yours,

E. S. LAND, *Chairman.*

WAR PRODUCTION BOARD,
Washington, D. C., June 30, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: I am writing in reply to your letter of June 15 in which you request certain information about the closing down of the MacEvoy shipyards at Savannah, Ga., for the use of the War Contracts Subcommittee.

The MacEvoy Shipbuilding Corporation is completing its contracts. They were awarded a contract for 5 concrete barges in November 1941 and an additional contract for 18 concrete barges in May 1942. Performance under the contracts was unsatisfactory to the Maritime Commission and the progress in completing them so slow that on August 3, 1943, the Maritime Commission canceled 16 of the 18 barges in the second contract. At that date, no barges had been delivered. I am informed that at that time letters were sent to the Secretary of War and the Secretary of the Navy advising them of the anticipated availability of the facilities. The War Production Board and the War Manpower Commission have been currently informed of the situation at the MacEvoy shipyards through regular reports on the progress of construction and prospective manpower requirements.

The last of the concrete barges remaining in the two contracts after the cancelation of August 3, 1943, is scheduled to be delivered this month. The MacEvoy Shipbuilding Corporation has been aware since August of the prospective completion of its contracts. I am informed by the War Manpower Commission that the peak employment at the MacEvoy shipyards was approximately 1,500 workers and that already approximately half of this number have been placed in other employment. The yards are located in an area classified as an area of critical labor shortage. The War Manpower Commission anticipates no difficulty in placing the remaining workers when they are released.

The Senate Committee on Investigation of the National Defense Program made an investigation of the MacEvoy Shipbuilding Corporation, the summary of which was published as appendix III of its report on Shipbuilding and Shipping (Rept. No. 10, pt. 8).

If you have further questions that you wish to put to the War Production Board with reference to this case, we shall be glad to answer them.

Sincerely,

C. E. WILSON, *Chairman.*

APPENDIX III

AIR POWER

AERONAUTICAL CHAMBER OF COMMERCE OF AMERICA, INC.

RESOLUTION ADOPTED BY THE BOARD OF GOVERNORS OF THE AERONAUTICAL CHAMBER OF COMMERCE OF AMERICA, LOS ANGELES, APRIL 26, 1944

The board of governors of the Aeronautical Chamber of Commerce of America, in order to "provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity," and in order to insure that the airplane which America created shall be used to maintain peace and secure the blessings of peace to mankind, does unanimously recommend the early formulation of an American air power policy under the following guiding principles:

The United States should maintain an air power sufficient (in conjunction with other forces) not only to win this war but also to keep the peace:

1. By maintaining adequate air forces at such strength and in such state of readiness as to preclude a successful assault upon our country or its possessions.

II. By acquiring and maintaining air bases essential to our security and that of overseas trade.

III. By facilitating the orderly and economic expansion of domestic and international air transport and of private flying.

IV. By preserving a strong aircraft-manufacturing industry.

AN ESTIMATE OF AMERICAN AIR POWER—THE RECORD TO DATE

Let us quickly review the past as the first step toward an estimate of the future. No matter how well known the record may be to some of us, it is worth while to restate it here.

We recall that upon the outbreak of World War I, the United States was wholly unprepared. This was particularly true in aviation, for whereas Europeans had looked upon the airplane as an instrument of war, we Americans saw it as a new vehicle of peace. Thus, we entered the war with no military airplane designs and no military engines of our own. We sought to overcome this disadvantage by adapting foreign designs to automotive mass production, and belatedly trying to create new ones of our own. And though a valiant effort was made, the brief 19 months of our participation was not enough to bring American designed aircraft into combat.

The sudden unexpected armistice of November 11, 1918, found us as unprepared for peace as April 6, 1917, had found us unprepared for war. We had neither adequate policy, program, or organization for terminating war contracts or for the custody, storage, or disposal of surplus goods or plants. As a result, there was vacillation, confusion and hardship. "War profits" proved illusory. Companies without adequate reserves or surplus failed. Automotive companies

went back to automobiles. What little remained of the aircraft industry floundered in the doldrums. Some even thought the Army and Navy should design and build their own aircraft.

The Army, the Navy, and the Congress took some cognizance of this situation. A number of committees and boards made recommendations. But nothing came of them. Then, in 1925, in response to outspoken charges by Brig. Gen. William E. Mitchell, and to an aroused public opinion, President Coolidge appointed the "Morrow Board."

This Board was requested by the Secretaries of War and Navy. These requests were in turn the result of representations by the aircraft industry whose importance to the Army and Navy was pointed out.

The Morrow Board consisted of nine members appointed by the President of the United States. Their number included a retired general, a retired admiral, two outstanding engineers qualified in aeronautics, a member of the Senate Committee on Military Affairs, a member of the House Committee on Naval Affairs (the Hon. Carl Vinson), the chairman of the House Committee on Interstate and Foreign Commerce, a judge of the circuit court of appeals, and a prominent lawyer and banker, Dwight Morrow.

The Board was nonpartisan and nonpolitical, and no member was directly interested in commercial or military aviation. The character and integrity of its members were such as to assure public confidence in their findings.

It heard nearly 100 witnesses and many conflicting opinions. At that time, the state of the aeronautical art was such that little could be drawn from experience, yet the public had strong confidence in the future of aviation. After a short but active inquiry, the Board submitted a unanimous report.

Against the background of charge and countercharge incident to the Mitchell controversy, the Board's findings were unexciting. Yet they were so sound in principle that the report (not out of print), deserves reading and rereading today even by those familiar with it. Congress accepted its recommendations and embodies them in the Air Corps Act of 1926. It created the office of Assistant Secretary for Air in the Departments of War, Navy, and Commerce.

The Board held, in effect, that a strong air force is vital to national security, that the backbone of this air force must be a strong, private industry, and that a long-term, continuing program of procurement is essential to the creation of adequate engineering staffs and the acceleration of the new technology. Thus, the Board fixed responsibility for American air power jointly upon Government and private industry.

We take pride in the fact that the aircraft industry has fully discharged its responsibilities, even though at times the people's desire for peace caused them to falter in support of the Morrow Board's policy. Whereas in World War I we borrowed aircraft from our allies, in World War II, we supplied them.

The Board realized the vital strategic importance of advanced engineering. It recognized the handicaps inherent in Government design and appreciated the need of private competition for the development of creative design staffs. It also stressed the impracticability of maintaining a peacetime industry adequate to the requirements of war. It emphasized the need for rapid expansion in emergency and visualized it taking place around a small but potent aircraft industry. This forced aircraft designers to conceive an entirely new theory of quantity production, one that relieved it of the need for freezing designs, and permitted it to expand phenomenally while introducing new and better models.

As contemplated by the Morrow Board, the Post Office initiated the development of air transport through contract air mail under private operation. Regulation and airways development were centered in the Department of Commerce. Technical improvements were encouraged by keen, constructive performance competition. Destructive rate competition was avoided.

Simultaneously, technological development was encouraged through healthy rivalry between the armed services—a great force for progress. Intercompany competition has continued in war, though aircraft manufacturers have shared their experience freely through their war production councils. They have cooperated in this crisis as effectively as they once competed in normal times.

The benefits of competition were also shared between the armed services and the air-transport operators to the over-all advancement of both. Aircraft was able to achieve its present dominance because, in the years before the war, this development was permitted by a long-range program evolved by the Morrow Board in 1925.

Men have long realized the vital importance to peace and prosperity of free communication by land, but it was not until 1889 that the decisive character of

overwater communication became apparent. Then, Capt. A. T. Mahan, in his classic treatise, The Influence of Sea Power Upon History, proved conclusively that since the dawn of marine transport, victory in war and prosperity in peace have rested with the nation which exercised control of communication by sea.

During the nineteenth century, the world enjoyed unexampled prosperity coupled with spiritual and material progress never before experienced. The combined British and American sea power swept piracy from the high seas and guaranteed the right of innocent passage to all who proceeded on their lawful occasions. With this power in the hands of a free people, the play of natural competitive forces accelerated the development of the arts and sciences.

In the twentieth century, this freedom of the seas has been challenged twice in the lifetime of the pioneers of the aircraft industry. In World War I, the Germans challenged with the submarine. The Japanese at first found it expedient to ally themselves with us to obtain German and other Pacific bases. Then, when the Germans tried again with the submarine (their air force being military), the Japanese challenged with naval air power. Thus, twice in the first half of this century, the beneficent sea power of free people has been challenged by autocratic powers seeking to dominate and enslave.

We have met this latest challenge by a rapid expansion of land, sea, and air power. Today, our air power is supreme: The combined military and naval air forces of the United States now constitute the world's largest air force. Our aircraft-manufacturing establishment is recognized as the world's No. 1 industrial giant. As to air transport, our private domestic and international systems, already the world's largest and best before the war, have expanded by leaps and bounds.

At strategic points along the air lanes of the world, we have built a powerful network of air bases. They are as vital to air power as are naval bases to sea power. With these stepping stones, the Army and Navy air transport commands have rushed men and materials to distant points in support of far-flung operations. Keymen, on the spot, and face to face, have made decisions that insured success in complex operations which would otherwise have failed. The delivery of critical materials at the right place at the right time produced results that would otherwise have been denied. We simply could not have fought this war successfully without air transport.

We have extended air lanes in all directions. Though we look at these now as outward flowing streams, we must not forget that they are channels leading to the very heart of the country. Mahan, discussing the decisive influence of sea power upon our Civil War, and referring to the tightening of the northern blockade, said, "The stream that carried the wealth and supported the trade of the Southern States turned against them and admitted their enemies to their hearts."

This sea power comprised five basic elements: The merchant marine; strategic bases; the Navy; the shipbuilding industry; and a seafaring tradition. The cost of the Navy was accepted as a proper charge against the cost of water transport—yes, even as an investment in world prosperity.

Similarly, we see air power comprising the same elements: An expanding commercial air transport; strategic air bases; military and naval air forces; a sound aircraft manufacturing industry; and an air-minded public.

The precise influence upon history of air power is now in the process of determination, but air power's influence upon land and sea communications has been made abundantly clear. Fundamentally, the isolation once enjoyed behind land or sea frontiers is forever gone.

The aircraft manufacturing industry operates today on a high plateau, having passed successively through three crises. The first crisis involved a shortage of machine tools, the second, a shortage of materials, and the third, a shortage of manpower. Within the latter there is an element of grave danger. Competent management and competent engineering are items whose importance cannot be overstressed. We have brought in management of proven competence from other industries through licensing and subcontracting. We have trained new production management from our own ranks. We have cooperated through the war production councils to increase the efficiency of our own management.

But the ability, even the willingness to take responsibility for management is a rare and precious quality. In a highly specialized engineering art like aviation, even men of real aptitude or competence must acquire experience before they are useful. Even then a special quality is necessary for men who must conceive and create new art.

Ours is the responsibility to provide combat crews with aircraft of advanced design. We must take care that no adversary surprises us with some secret weapon. A technological advantage once lost is not likely to be recovered.

Aviation is a young industry. Most of its personnel is young. Thus, we are certain that the public interest requires the maintenance of the integrity of management and engineering in the aircraft industry. Removal of young engineers from private industry or interruption of a steady flow of them into it is fraught with grave dangers. A design staff once lost is not likely to be restored.

Turning now to production schedules, it is apparent that the very magnitude of the expansion of the aircraft industry makes it especially vulnerable to changes and cut-backs. Since renegotiation of contracts precludes the accumulation of reserves adequate to any contract termination that is not orderly and swift, the Government must accept its responsibilities in termination for all costs, including separation wages, lest important elements of the industry fail to survive. Until the completion of the cycle "war profits" are wholly illusory.

Our sistuation differs markedly from that of the automobile industry. Every day that passes, more automobiles wear out and the demand for new cars increases. Similarly, every day that passes, automobile companies contribute to the surplus of aircraft and aircraft parts. At termination, automotive companies can reconvert, while aircraft companies must cut back to whatever remains.

While the airplane and automobile both date from the beginning of this century, and while forty-odd years later the automotive and aircraft industries are collaborating in the production of aircraft industry designs for the war effort, the two industries are fundamentally different. The automobile has had wide private use. The airplane on the other hand has been used principally in public service. The industry is almost wholly dependent upon Government policy.

The problem of surplus war products is thus of peculiar concern to aircraft manufacturers. We note with satisfaction the steps being taken to provide necessary legislation to permit terminating contracts speedily and disposing of war surpluses in an orderly manner. We are impressed with the magnitude of this task and the need for courageous administration and control.

The factor of obsolescence is vitally important in aviation. Equipment is frequently made obsolete by technical improvement long before it has worn out in use. This factor should be given full consideration in controlling production. The flow of material must not run too far ahead of requirements, lest the latest service changes and improvements be not incorporated in combat aircraft.

Thus, the conduct of the war and plans for the future combine to dictate the first step in surplus control. To the fullest extent consistent with meeting every need of the armed services, the tightest rein should be held on current production to avoid unnecessary accumulation of inventories in the hands of suppliers and of finished products and spares in reserve.

Surplus aircraft material should not be viewed as excess inventory to be liquidated like commercial products, but rather in the nature of a reserve. It is public property. It should be administered with broad regard for the public interest. The public interest demands the maintenance of a reasonable level of employment. Dumping surpluses could so unbalance the aircraft industry and the whole national economy that the cost of unemployment compensation, or relief, could quickly exceed any recovery through sale of surplus. War surplus must be considered in the light of other goods expended in the war effort. Good business judgment demands "no dumping."

Surplus aircraft will fall into two categories: those restricted to war purposes and those capable of conversion to commercial uses. The most modern surplus military aircraft should be stored in reserve. This will help employ available excess facilities. Convertible types should be used to promote air transport and private flying.

The rapid rate of obsolescence of aircraft makes timing the key to a sound disposal policy. The sooner surplus planes are made available for commercial purposes the more completely will desirable objectives be achieved. The immediate use commercially of surplus equipment before new improved models are generally available will aid in creating demand for improved equipment.

The vital principle here is that surplus aircraft must not be permitted to destroy the aircraft manufacturing industry. On the contrary, they must be so utilized as to nourish it. The public interest requires that the aircraft manufacturing industry operate at the rate necessary to promote the creation of new designs and to facilitate rapid expansion in emergency. This must be accomplished through a continuing, orderly program of competitive procurement for the

Army and Navy Air Forces as well as expanding private purchases for domestic and foreign transport. The whole should be supported by direct expenditures with the industry for research and experimental development.

In the matter of Government-owned facilities, we are gratified by the steps being taken. Here, too, the controlling principle is the public interest. It must always be kept in mind that until the industry can develop a private market, the Government is directly or indirectly its chief customer. It is axiomatic that no seller can compete successfully with his customer and that the private aircraft industry could not survive Government competition.

The record to date clearly shows the wisdom of having depended entirely upon private industry for aircraft production. Industry has met every requirement as to quantity and quality. The stimulus of private competition has produced great benefits. Technology has advanced. Costs have been dramatically reduced. The whole management of aircraft production this war under the principles enunciated in the Morrow report has been so successful as to indicate clearly the wisdom of continuing these policies. In fact, the whole relationship of Government and industry in the aircraft program sets a sound pattern for other lines for the future.

When the time comes for major cut-backs, the aircraft industry will face problems at least as difficult, if not more difficult, than those incident to expansion. There has been no opportunity to develop other new products. It would seem that the "minute men" of this war, who have served the Nation best technically and productionwise, should survive. Today, aircraft production represents a substantial proportion of the national economy, and every opportunity should be afforded the industry to maintain itself at a reasonable level.

Continued manufacture of unneeded war goods would serve no useful purpose. We would simply be borrowing from future demand. This emphasizes the point made in the reports of the Vinson and Truman committees, that Government departments should begin planning now for long-term needs. Military and naval plans could approximate furure requirements for several reasonable assumptions, and knowledge of these would assist private companies in their planning.

We also believe that the key lies in the field of air transport. Our domestic air lines are carrying a heavy war load with greatly reduced equipment. It seems unrealistic that at a time when other war activities have greatly expanded their plants, the air lines have been contracted. It would seem in the public interest to step up their operations to a maximum, thus relieving the overburdened surface transport and speeding the conduct of war business.

The vital importance of international commercial air transport emphasizes the need for its expansion. This should be taken in hand now as an immediate contribution to the war effort and a wise provision for future needs. Expansion of air mail offers a profitable method.

The successful creation of the air forces under the War and Navy Departments suggests the need for lodging responsibility for commercial air transport in an executive department. This department, in collaboration with the State, War, and Navy Departments, should operate under the American air power policy and in support of it. The office of Assistant Secretary for Air in the Department of Commerce should be reestablished.

As in the case of the air forces, the key to progress in commercial air transport is technological development. Competition is essential in order that economic factors may direct technical progress along sound lines. A prerequisite to the progress of the war effort and to the future of American air transport is the continued development of transport aircraft.

Today, American transport planes embody technical developments which grew out of air-line competition and competitive purchases by the Army and Navy from private manufacturers. These manufacturers reinvested their earnings in improved technology and low-cost manufacturing, so that prior to the war, both American commercial and military aircraft dominated foreign markets because of low cost and superior performances.

It is a noteworthy fact that at a time when certain established American industries needed a protective tariff, the self-reliant young American aircraft industry, maintaining a high level of wages and salaries, was able to undersell all foreign competition even though some of this was subsidized.

Our experience leads us to certain conclusions as to the elementary economics of air power. Our people have long been persuaded that expenditures in preparation for war are an out-of-pocket expense, and a burden tending to depress the standards of living. A free people seldom understands that an investment in protection against war may prove far more economical in the long run. Beyond

this, money intelligently invested in an air power, adequate to keep the land, air, and sea lanes open to commerce, will pay dividends through increased trade and the creation of new wealth. This is the history of each new form of transport.

One example is our own domestic air transport. It has been able to establish itself in direct competition with highly developed forms of surface transport by selling faster travel at competitive rates. It has furnished fast mail at premium rates high enough to return to the Post Office Department substantially more than the amount paid for transporting the mail. Thus, the post office has fostered a valuable public service with a profit to itself.

From the economic point of view, we could credit the air mail profit back against the cost of military and naval aircraft. We might also credit income from export sales. But a strict accounting isn't necessary to prove that providing for the common security is not necessarily a burden upon the people. Done through private industry, it can be an investment. The benefits of judicious purchases to further new technology are obvious. They create new opportunities for private investment, new enterprises, and new employment. Expanded air transport offers jobs for trained aviation technicians discharged from the Air Forces.

Another example of the profound influence of new forms of transport is the rapid expansion of transcontinental railways after the Civil War. This expansion took place under strong support from the Government, and while some evils attended it, the over-all result was the opening up of vast new resources. No evils have attended the development of American air transport to date. The possibilities of the future development can scarcely be estimated.

The public character of aviation imposes upon it a dual role. Commercial companies, to advance their private interests and stimulate technical progress, must compete in the realm of operations. At the same time, they must collaborate in the realm of policy to promote the public interest. If any law or interpretation precludes such collaboration, it should be revoked.

International, domestic, and private air transport offers a source of new wealth and employment. Rapid development is dependent upon improved technology stemming from a strong competitive private manufacturing industry. A dominant military and naval Air Force supported by air bases is a prerequisite of free communication by land, sea, and air. Only an air-minded people can provide that controlling air power which, in the hands of free men, is the hope of lasting peace and prosperity.

Ours is the dominant air power. Ours, too, the responsibility for a sound policy, courageously administered. The American air power policy derives directly from our own experience.

(Following are (A) the text of a letter on the problem of unemployment compensation, which was addressed by the War Contracts Subcommittee to various industry and labor groups; and (B) a list of addressees:)

(A) Unemployment Compensation Letter

April 1944.

Various industry and labor groups have requested that provision be made for dismissal wages to be paid to workmen rendered unemployed on account of termination of war contracts, and that employers be reimbursed by the Government for any such payments.

In this connection several requests have been received to include a provision to that effect in S. 1718, the contract-termination bill introduced by Senator George and myself. In answer to those requests, my staff prepared and distributed some time ago a preliminary draft of a dismissal wage provision for insertion into S. 1718.

After careful consideration of the comments received on the staff proposal for dismissal wages, I have come to the conclusion that the medium of dismissal wages is inadequate for the purpose of providing financial aid to those who will become unemployed as a result of war-contract termination. I believe that the only satisfactory way of coping with that problem is through unemployment compensation. It is my opinion that it will be necessary for the Federal Government to assist the States in providing more adequate unemployment compensation and to strengthen the financial resources of State unemployment funds. I have come to this conclusion for the following reasons:

(1) The problem of unemployment resulting from war-contract termination is one of the Nation's many war problems. In part at least, therefore, the cost of coping with that problem ought to be considered a cost of the war, and like other war costs be paid from the United States Treasury. Without Federal aid, however, the increased burden would have to be borne by State unemployment funds, and many employers may have to be taxed more heavily under experience rating provisions in order to meet increased drain on the State funds.

(2) To a large extent, unemployment compensation during the period of reconversion should be considered in the nature of a stand-by wage payable while many plants are being reconverted to peacetime production. Under many present State plans, unemployment compensation is inadequate in amount and duration for this purpose. Without adequate stand-by wages many employers would be compelled to continue workmen on their pay rolls at their own expense, although having no work for them, in order to maintain their labor force in readiness when reconversion is completed. Many employers—especially those operating with limited financial resources—will be financially unable to bear such an additional reconversion expense, and such employers should not be placed at a competitive disadvantage by comparison with employers who can afford this expense.

(3) Adequate unemployment compensation is essential for the maintenance of the purchasing power of the masses of our people during any period of large-scale unemployment. Without maintaining mass purchasing power, civilian production may be discouraged, because sufficient markets may be lacking.

In support of these views I would like to refer you to a recent speech by Mr. James F. Byrnes, Director of War Mobilization, given before the Academy of Political Science, entitled "Preparation for Peace on the Home Front." After discussing the inadequacy of dismissal wages, he stated as follows:

"The existing State unemployment insurance laws were framed to meet local conditions of temporary unemployment and are not adequate to deal with the Nation-wide problem of reemployment. Demobilization must be regarded as a national problem and it costs as part of the costs of the war.

"I think the most constructive approach to this problem is to supplement existing State unemployment benefits to the extent necessary to give workers, during the transition from war to peace, suitable unemployment benefits to be prescribed in a Federal demobilization law."

I am giving consideration to two plans:

(1) The Federal Government would pay one-half of the unemployment compensation paid under State unemployment compensation laws. This proposal would not provide for any Federal standards as to amount or duration of benefits and would leave all action with respect to liberalization of present unemployment benefits to the initiative of the States. For that reason it might not bring about the desired results. However, if the States wished to act, the money would be available.

(2) Under the second plan, Federal financial aid to any State would be conditioned upon the State meeting certain Federal standards as to amount, duration, coverage, etc., of unemployment benefits. Any State which would meet the standards established by Congress could elect to receive Federal financial aid in either of the two following ways: (*a*) 50 percent Federal reimbursement for all unemployment benefit payments made by the State; or (*b*) 100 percent Federal reimbursement for unemployment payments in excess of those which would otherwise have been paid under State law.

I should greatly appreciate your comments on the proposed program of emergency Federal financial aid to State unemployment funds and the two preliminary plans suggested for carrying out such a program.

Sincerely,

James E. Murray,
Chairman, War Contracts Subcommittee.

(B) List of Addressees

April 1944.

State of North Carolina: Unemployment Compensation Commission.
California Department of Employment.
Department of Employment Security, Salt Lake City, Utah.
State of New York Department of Labor.
State of Iowa Employment Security Commission.
Employment Security Commission of New Mexico.
Commonwealth of Virginia: Unemployment Compensation Commission.
The State of Wisconsin Industrial Commission.
State of Delaware Unemployment Compensation Commission.

State of New Jersey Unemployment Compensation Commission.
State of Nevada Employment Security Department, Carson City, Nev.
Unemployment Compensation Division, Bismarck, N. Dak.
Unemployment Compensation Commission of South Dakota.
Minnesota Division of Employment and Security.
District Unemployment Compensation Board, Washington, D. C.
State of Maryland Unemployment Compensation Board.
The Commonwealth of Massachusetts: Division of Employment Security.
Interstate Conference of Employment Security Agencies, Austin, Tex.
National Small Business Men's Association, Chicago, Ill.
The Baldwin Locomotive Works, Philadelphia, Pa.
American Institute of Accountants, Detroit, Mich.
McQuary-Norris Manufacturing Co., St. Louis, Mo.
National Association of Credit Men, New York City.
Campbell Heating Co., Des Moines, Iowa.
Transport Workers Union of America, New York City.
Industrial Union of Marine and Shipbuilding Workers of America, Camden, N. J.
Radio Corporation of America, Camden, N. J.
Fidelity Union Trust Co., Newark, N. J.
Milbank, Tweed & Hope, New York City.
Frank L. Dewey, counsel, Western Electric Co., New York City.
Webb Wilson, treasurer, Fairchild Engine & Airplane Corporation, New York City.
J. C. Willson, director, Curtiss-Wright Corporation, New York City.
John Sanderson, vice president and treasurer, and David Riesman, Jr., contract settlement officer, Sperry Corporation, New York City.
Charles C. Tillinghast, Jr., general counsel, Bendix Aviation Corporation, Detroit, Mich.
Courtney Johnson, assistant to chairman, Studebaker Corporation, South Bend, Ind.
Francis G. Ross, vice president, The Chase National Bank, New York City.
The Tool Steel Gear & Pinion Co., Cincinnati, Ohio.
Chamber of Commerce of the United States, Washington, D. C.
The Williamson Heater Co., Cincinnati, Ohio.
National Automobile Dealers Association, St. Louis, Mo.
Post-War Planning Committee, National Automobile Dealers Association, Flint, Mich.
Chamber of Commerce, Duluth, Minn.
Committee on Accounting Manpower of the American Institute of Accountants, Detroit, Mich.
Staunton and Augusta County Chamber of Commerce, Staunton, Va.
Electrical Products Co., Cleveland, Ohio.
Reliance Electric & Engineering Co., Cleveland, Ohio.
Hazeltine Electronics Co., New York City.
The Aviation Coroporation, Detroit, Mich.
A. F. Hinrichs, Acting Commissioner Bureau of Labor Statistics, Department of Labor, Washington, D. C.
Melvin T. Copeland, chairman, Massachusetts Committee on Post-War Readjustment, Boston, Mass.
Cutler-Hammer, Inc., Milwaukee, Wis.
Illinois Manufacturers' Association, Chicago, Ill.
Lockheed Aircraft Corporation, Burbank, Calif.
Research Institute of America, Washington, D. C.
Minneapolis-Honeywell Regulator Co., Minneapolis, Minn.
National Association of Manufacturers, Washington, D. C.
National Screw Machine Products Association, Cleveland, Ohio.
Tanners' Council of America, New York City.
John Fennelly, executive director of the Committee for Economic Development, Washington, D. C.
Frank A. Fetter, professor of economics, Princeton University, Princeton, N. J.
George M. Glassgold, New York City representative, Allied Automatic Machines, Inc.
Hon. Edward J. Kelly, mayor of the city of Chicago.
Brookings Institution, Washington, D. C.
Los Angeles Chamber of Commerce, Los Angeles, Calif.

I. F. Stone, Washington correspondent, PM and The Nation, Washington, D. C.
Packard Motor Car Co., chairman, contract termination committee of Automotive Council for War Production.
Henry E. Bodman, counsel for Automotive Council for War Production.
George W. Stratton, chairman, Stratton Committee of the Aircraft Parts Manufacturers Association of Los Angeles, Los Angeles, Calif.
Robert W. McMillan, Management Planning, Inc., 1025 Connecticut Avenue NW., Washington, D. C.
William Green, American Federation of Labor.
Philip Murray, Congress of Industrial Organizations.
Mr. Fitzgerald, United Automobile Workers.
George Romney, Automotive Council for War Production, New Center Building, Detroit, Mich.
Kenneth Cramer, Automotive Council for War Production, Transportation Building, Washington, D. C.
Department of Industrial Relations, Montgomery 5, Ala.
Unemployment Compensation Commission, Juneau, Alaska.
Unemployment Compensation Division, Employment Security Commission, Phoenix, Ariz.
Employment Security Division, Department of Labor, Little Rock, Ark.
Department of Employment Security, Denver, Colo.
Employment Security Division, Department of Labor and Factory Inspection, Hartford, Conn.
Industrial Commission, Tallahassee, Fla.
Department of Labor, Atlanta, Ga.
Bureau of Unemployment Compensation, Department of Labor and Industrial Relations, Honolulu, T. H.
Unemployment Compensation Division, Industrial Accident Board, Boise, Idaho.
Commissioner of Placement and Unemployment Compensation, Department of Labor, Chicago, Ill.
Employment Security Division, Indianapolis, Ind.
Unemployment Compensation Division, State Labor Department, Topeka, Kans.
Unemployment Compensation Commission, Department of Industrial Relations, Frankfort, Ky.
Division of Employment Security, Department of Labor, Baton Rouge, La.
Unemployment Compensation Commission, Augusta, Maine.
Unemployment Compensation Board, Baltimore, Md.
Division of Employment Security, Boston, Mass.
Unemployment Compensation Commission, Detroit, Mich.
Unemployment Compensation Commission, Jackson, Miss.
Unemployment Compensation Commission, Jefferson City, Mo.
Unemployment Compensation Commission, Helena, Mont.
Division of Placement and Unemployment Insurance, Department of Labor, Lincoln, Nebr.
Unemployment Compensation Division, Bureau of Labor, Concord, N. H.
Bureau of Unemployment Compensation, Columbus, Ohio.
Employment Security Commission, Oklahoma City, Okla.
Unemployment Compensation Commission, Salem, Oreg.
Department of Labor and Industry, Harrisburg, Pa.
Unemployment Compensation Board, Providence, R. I.
Unemployment Compensation Commission, Columbia, S. C.
Commissioner of Labor, Department of Labor, Nashville, Tenn.
Unemployment Compensation Commission, Austin, Tex.
Unemployment Compensation Commission, Montpelier, Vt.
Commissioner of Unemployment Compensation and Placement, Olympia, Wash.
Department of Unemployment Compensation, Charleston, W. Va.
Employment Security Commission, Casper, Wyo.
Aluminum Workers of America, 209–210 Shepard Building, New Kensington, Pa.
Federation of Architects, Engineers, Chemists, and Technicians, 5 Beekman Street, New York City.
United Automobile, Aircraft, Agricultural Implement Workers of America, 411 West Milwaukee, Detroit, Mich.
Barbers and Beauty Culturists Union of America, 316 Flatbush Avenue, Brooklyn, N. Y.

United Cannery, Agricultural, Packing, and Allied Workers of America, Room 415, 1505 Race Street, Philadelphia, Pa.
Amalgamated Clothing Works of America, 15 Union Square, New York City.
American Communications Association, 5 Beekman Street, New York City.
National Association of Die Casting Workers, 320 Superior Street, Toledo, Ohio.
United Electrical, Radio, and Machine Workers of America, 11 East Fifty-first Street, New York City.
United Farm Equipment and Metal Workers of America, 188 West Randolph Street, Chicago, Ill.
United Federal Workers of America, 1338 I Street NW., Washington, D. C.
International Union of Fishermen and Allied Workers of America, 4124 Arcade Building, Seattle, Wash.
International Fur and Leather Workers Union, 251 Fourth Avenue, New York City.
United Furniture Workers of America, 261 Fifth Avenue, New York City.
United Gas, Coke and Chemical Workers of America, 718 Jackson Place NW., Washington, D. C.
Federation Glass, Ceramic, and Silica Sand Workers of America, 118 North Third Street, Columbus, Ohio.
Inlandboatmen's Union of the Pacific, 117 Canadian National Dock, Seattle, Wash.
International Longshoremen's and Warehousemen's Union, 150 Golden Gate Avenue, San Francisco, Calif.
National Marine Engineers' Beneficial Association, 313 Machinists' Building, Washington, D. C.
National Marine, Cooks, and Stewards Association, 86 Commercial Street, San Francisco, Calif.
Industrial Union Marine and Shipbuilding Workers of America, 534 Cooper Street, Camden, N. J.
National Maritime Union of America, 346 West Seventeenth Street, New York City.
International Union of Mine, Mill, and Smelter Workers, 303 Railway Exchange Building, Denver, Colo.
American Newspaper Guild, 63 Park Row, Room 905, New York City.
United Office and Professional Workers of America, 8 West Fortieth Street, New York City.
Oil Workers International Union, 108 West Eighth Street, Forth Worth, Tex.
United Packinghouse Workers of America, 205 West Wacker Drive, Chicago, Ill.
Paper Workers Organizing Committee, 1104 Keith Building, Cincinnati, Ohio.
Playthings and Novelty Workers International Union, 225 Lafayette Street, New York City.
United Retail, Wholesale, and Department Store Employees of America, 100 West Forty-second Street, New York City.
United Rubber Workers of America, 503 United Building, Akron, Ohio.
United Shoe Workers of America, 917 Fifteenth Street NW., Washington, D. C.
State, County, and Municipal Workers of America, 51 Chambers Street, New York City.
United Steelworkers of America, 1500 Commonwealth Building, Pittsburgh, Pa.
United Stone and Allied Products Workers of America, Scampini Building, Barre, Vt.
Textile Workers Union of America, 15 Union Square, New York City.
United Transport Service Employees of America, 3451 South Michigan Avenue, Chicago, Ill.
Transport Workers Union of America, 153 West Sixty-fourth Street, New York City.
Utility Workers Organizing Committee, 1133 Broadway, New York City.
International Woodworkers of America, Myler Building, 314 Southwest Ninth Avenue, Portland, Oreg.
Air Line Pilots' Association, 3145 West Sixty-third Street, Chicago 29, Ill.
International Association of Heat and Frost Insulators and Asbestos Workers, 41–32 Benham Street, Elmhurst, Long Island, N. Y.
International Union United Automobile Workers of America, Room 205, 82 West Montcalm Street, Detroit 1, Mich.

International Brotherhood of Boiler Makers, Iron Ship Builders and Helpers of America, suite 506–522 Brotherhood Building, Kansas City 11, Kans.
United Brotherhood of Carpenters and Joiners of America, Carpenters' Building, Indianapolis 9, Ind.
International Brotherhood of Electrical Workers of America, 1200 Fifteenth Street NW., Washington 5, D. C.
International Union of Operating Engineers, 1003 K Street NW., Washington 1, D. C.
United Garment Workers of America, Room 621, 45 Astor Place, New York 3, N. Y.
International Ladies' Garment Workers Union, 1710 Broadway, New York 19, N. Y.
International Longshoremen's Association, 19th Floor, 265 West Fourteenth Street, New York 11, N. Y.
International Union Progressive Mine Workers of America, Progressive Mine Workers' Building, 506 South Sixth Street, Springfield, Ill.
Brotherhood of Painters, Decorators and Paperhangers of America, Painters and Decorators' Building, Lafayette, Ind.
United Association of Plumbers and Steam Fitters of the United States and Canada, Room 506 Machinists' Building, Ninth and Mount Vernon Place NW., Washington 1, D. C.
Amalgamated Association of Street and Electric Railway Employes of America, 260 East Vernor Highway, Detroit 1, Mich.
International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers, of America, 222 East Michigan Street, Indianapolis 9, Ind.

NEWSPAPER COMMENT ON THE CONTRACT TERMINATION AT THE BREWSTER AERONAUTICAL CORPORATION

[Times, Kansas City, Mo., May 24, 1944]

When War Contracts Go

While it does not appear that sudden cancelation of war contrcts will be throwing any considerable number of people out of jobs any time soon, a clear understanding to that effect would be wholesome. Workers who now are urgently needed in many of these plants, in the Kansas City area notably, are entitled to assurance that the jobs will hold for a reasonable time.

The question arises in connection with the Navy's cancelation of plane contracts with the Brewster Aeronautical Corporation, which operates plants at Long Island City, N. Y., and Johnsville, Pa. Henry J. Kaiser, former president of the corporation, has criticized the Navy's action as precipitate, saying it would mean the loss of jobs by more than 12,000 employees and losses also to the 3,000 stockholders of the corporation. On its part, the Navy explains that the cancelation is simply a part of an over-all cut-back in fighter plane production, and that the shift could be more easily made at these plants than at others.

Yet it is apparent that serious results may follow such cancelations, more so with many other plants than these two which, it is shown, may obtain other war contracts. That kind of adjustment has been made in numerous other instances, the cancelations thus being largely or wholly neutralized. But a spokesman for the Navy explained the other day that the time was coming when this kind of adjustment would not be possible because the additional war materials would not be needed.

Mr. Kaiser holds that the Brewster company's position "is comparable to what many companies" will face and that Congress should "act immediately to take care of those companies which will be affected by sudden termination, reconversions, and lack of finance resulting from their all-out effort for the war."

This had been thought of before and the subject had been fully covered in the Baruch-Hancock Report. A good part of this program is concerned with problems of contract termination and the reconversion of plants. Extensive recommendations were made as to the proper handling of the entire business. They were designed to offer full protection to the Government, to the plants, and to workers. They require legislation and the grant of authority from Congress. It is here that Congress needs to act and with greater speed than so far has been evident.

[Press, Evansville, Ind., May 27, 1944]

A Test Case for Reconversion

The checkered career of the Brewster Aeronautical Corporation is in for some further checkering.

The Navy announced the other day that it was cutting back production of Corsair fighters—because of unexpectedly light losses and a commendable reluctance to build up excessive reserves. Of three companies manufacturing the Corsair, Brewster has the highest production costs. So the Navy has told Brewster to make no more after the end of next month.

No doubt the almost fabulously inefficient operation of the Brewster plants—prior to the wielding of a new broom by Henry J. Kaiser, whom the Navy brought in temporarily as a house cleaner—was a factor in the decision to let Brewster walk the plank. Labor and management (pre Kaiser) share the blame for that unfortunate record.

Nevertheless, the prospective displacement of some 12,500 workers is no matter to dismiss with an "I told you so."

Perhaps the Army or the Navy can utilize the machines and skills available at Brewster to produce other aircraft or aircraft parts. Only recently General Arnold was protesting that the loss of 250 Mustangs, due to the foremen's strike at Detroit, might dangerously affect second-front operations.

Or, if the job of adapting the Brewster plants to other war products appears too formidable, at least every effort should be made by the United States Employment Service to salvage Brewster manpower for service in active aircraft plants, which have suffered from manpower shortages and high turn-over rates.

Then the Navy should act with the greatest speed in settling up with Brewster so that the company can proceed, if possible, with conversion to the production of needed civilian goods.

The Truman committee has recommended that surplus materials not required for munitions should be made available to manufacturers of civilian goods without delay, in order to avert unemployment where war plants shut down. This is just such a situation. The Brewster cut-back provides an opportunity for useful experiment in reconversion.

[Herald Tribune, New York City, May 30, 1944]

The Brewster Case

With the termination of Navy contracts with the Brewster Aeronautical Corporation, this region is confronted with a foretaste of what will be the gravest post-war economic problem. The Navy has dealt with this problem, in the Brewster case, summarily. It is reducing its fighter-plane program. The Brewster Corporation, the Navy asserts, is the smallest producer of Corsair planes; it has no additional Navy contracts, and its production costs are higher than those of the other two firms making Corsairs. Consequently Brewster will make no more Corsairs; 4,500 workers have been given notices of discharge at the Long Island City plants and are organizing a "sit-in" in protest.

From the standpoint of the workers, the contract termination will mean inconvenience and possibly the necessity of taking work at lower rates of pay. Work is available, however, and it would seem that the workers laid off could be reabsorbed without undue hardship at this time. The stockholders of the corporation will have to depend on the chances of new contracts, converting to other types of work or the like—not very bright at this stage of the war. But quite aside from the merits of this particular case, it is obvious that more thought will have to be devoted to contract termination and its effects.

The Navy has taken a strictly economic approach. It could not do otherwise, since its duty is to fight, and to fight without waste of funds appropriated for its use. Any alleviation of the situation which costs money will have to be authorized by Congress—which has already scheduled an investigation of Government demobilization programs. It is to be hoped that action will follow speedily on investigation, since the prospect of the Brewster case. multiplied a thousandfold, is one which the Nation cannot view without alarm.

[News, Wilmington, Del., May 31, 1944]

And Now "Stay Ins"

Workers in two plants operated by the Brewster Aeronautical Corporation have brought the reconversion problem into sharp focus by their "stay-in" demonstrations in protest against the Navy's action in terminating its contract with the company for the production of Corsair fighters. To emphasize their "willingness to stay on the job" they have even offered to work for nothing while the plants are changed over for other war work.

The offer is probably meaningless, since the company is bound by the wage-hour law. Moreover, the management is perfectly willing to pay its employees if it has work to keep them busy and it cannot pay them if it has no work for them. As for the workers' charge that the Navy has been "obviously unfair," it must be placed against the official explanation that fewer fighters are needed because losses have been unexpectedly low and requirements can be met by other and more efficient plants.

Nevertheless, the resentment of the workers is understandable even if the Navy's position is equally understandable. It is true that the need for maintaining arms production has not passed and the Brewster plants are capable of more contributions to the war effort. Even if there is no place for them in the plane program, their capacity should be useful elsewhere.

Doubtless there will be similar cases as goals are met, and it must be borne in mind that it will not be possible to effect a perfectly smooth transition from war- to peace-time industry when that time comes. But it is plain that we have seen a portent of what can happen if the Government's reconversion program is not effective. The investigation begun by a subcommittee of the Senate Military Affairs Committee is certainly in order and it is to be hoped that it will throw further light on this important question.

[Christian Science Monitor, Boston, Mass., May 31, 1944]

Brewster Lessons

The "sit in" or "stay in" at Brewster Aeronautical suggests serious implications. It suggests that after a decade of work relief, to which has been added the de luxe works projects of the war, the American worker now looks first to his Federal Government for a job. It suggests that something more ponderable than an advertising campaign is going to be required to win his eyes back to dependency on "private enterprise."

Public sympathies are not likely to weigh heavily in favor of the workers. That workers in the Brewster plant were able to double their normal daily production when striving to make a good showing is only likely to cause people to wonder what they were doing with their time before.

Since the Navy does not need more Corsair planes from the Brewster plants it quite logically and correctly canceled the contract in order not to waste money, materials and manpower. It is not the job of the Navy and the Army to cushion the termination of their contracts, or to supervise the transition of the national economy back to peacetimes, any more than it was their job to cushion the issuing of contracts or to superintend the conversion to war production.

That conversion was the responsibility of a third Government agency, the War Production Board. It is going to require a similar gency and comparable planning and effort to effect the reconversion. And an incalculable portion of the Nation's, even of the world's, economic and social future hinges upon how well this job is done. In a democracy, labor has every right to insist on such Government activity.

This was all admirably brought out and intelligently provided for in the Baruch-Hancock report, which further emphasized that restrictions on private enterprise, especially as to tools and materials, must be relaxed as war contracts are terminated so that private jobs can be provided. For example, is the Government now willing that Brewster should turn to production of planes for civilians?

The problem of war contract termination and the orderly transition to peace-time production with a minimum of lost man-hours is one requiring the benefit of all past experience and present intelligence. The Brewster incident at least usefully tells us (*a*) that the machinery for the transition is not yet functioning very effectively; (*b*) that the sands of time for getting this machinery are thinning.

[New York Times, New York City, May 31, 1944]

The Brewster Workers

On the authority of Mrs. Anna M. Rosenberg, speaking as regional director of the War Manpower Commission, there is no lack of jobs for the 8,000 workers who have been thrown out of employment by the Navy's termination of its contract with the Brewster Aeronautical Corporation. According to Mrs. Rosenberg, "Both men and women are needed badly to continue production in top priority industries. This lay-off at Brewster does not mean that the war is over. It does not mean that total manpower demands have decreased."

The presence of representatives of 17 high priority war plants at the Brewster factory on Monday, all seeking to recruit manpower for their own production lines, fully supports Mrs. Rosenberg's contention. The problem is not jobs. It is rather pay. For, as against the average of $1.06 an hour which they say has been paid at Brewster, the employees are told by Mr. Frankensteen, vice president of their union, that they will now "be met with offers of jobs paying 60 and 70 cents an hour." The "sit in" demonstration at the Brewster factory, therefore, is not a protest against lack of employment opportunities, or against the loss of a chance to do war work. It is a protest against loss of a chance to do war work at an assured $1.06 an hour.

We do not question the patriotism of the Brewster employees. Under present methods of employment in the war industries it is natural that they should try, as everyone else does, to do as well for themselves as they can. It is rather the system itself which is at fault: the system which leaves entirely to personal discretion and the caprice of competitive wage-bidding the decision how the war manpower of this Nation shall be employed at the very crisis of a life-or-death struggle for our national existence. It is these conditions which create the attitude, now displayed at Brewster, of men and women reluctant to take war jobs unless they pay "top" wages. It is the same conditions, the conditions which foster a perpetual chase of top-paying jobs, from one war industry to another, that are responsible for the shockingly high labor turn-over of 72 percent which now prevails in the war industries as a whole, with consequent losses in the production of weapons needed by our soldiers.

The present experience at Brewster is another argument for a national war service act under which decisions of this kind, in wartime, would no longer be left entirely to personal judgment. Certainly if it is fair and proper and wholly in the spirit of democracy for the Government to draft a man for military duty and send him across the seas for an indefinite period to endure hardship and danger, then it is no less fair and proper and in the spirit of democracy to require him to do war work at home, in comfort and security, when the Nation's needs demand it.

The only good argument against a national service act is that the war is so nearly won that we do not need it. He is a reckless man who makes that argument today, in the face of the tasks that still confront us.

[Post, Washington, D. C., May 31, 1944]

Striking for Work

The sit-in "strike" at the Brewster aircraft plants, unlike the sit-down strikes that plagued the country a few years ago, is not a demonstration against the company or an effort to bar workers from the plant. In fact, it is not a strike at all, it is an organized demonstration of disapproval directed against the action of the Navy in suddenly canceling its contract with Brewster and thus forcing the company to dismiss most of its employees. Although the "sit ins" are clamoring for work (that is, for a return to their old jobs), they are, notwithstanding, hampering the war effort by obstructing and delaying efforts to place them in new jobs where they are greatly needed.

The dismissed Brewster employees have no reason to fear prolonged idleness, since acute labor shortages exist in many parts of the country. The United States Employment Service, in cooperation with local War Manpower Commission management-labor committees, has undertaken to bring idle men into contact with essential jobs. Of course that may compel shifts of residence to strange cities and acceptance of lower-paid work. But the employees of war contractors surely realize that the making of weapons must cease when the needs of the armed forces have been met, and that other jobs will have to be found through reconversion of the plant or transfer of workers to other industries. Moreover, dismissed war workers cannot always obtain the same high rates of pay obtained in war plants, regardless of the nature of the alternative jobs offered them.

The "sit in" at Brewster has accomplished one good result, however, by dramatizing the labor difficulties arising out of sudden cancelation of war contracts. Apparently the Navy's decision to terminate the Brewster contract was based on sound grounds. But the method of procedure raised the question whether production for the Navy might not have been tapered off more gradually. About these matters we are in no position to express an opinion. But we do know that one of the prime purposes of planned demobilization is to avoid just the sort of unexpected labor dislocation that has produced the Brewster sit-in "strikes."

[Star, Washington, D. C., May 31, 1944]

The Brewster "Stay In"

The "stay-in" demonstration by some 13,000 employees of the Brewster Aeronautical Corporation, having accomplished its purpose of focusing attention on the problem raised by the sudden termination of war contracts, has been called off. But the problem remains with us.

On the basis of known facts, the Navy seems to have had entirely valid reasons for canceling the Brewster contract for the manufacture of Corsair fighters. Because of early labor troubles and poor management, the Brewster production costs were higher than those of two other plants making Corsairs. Hence, when the Navy found that it did not need as many planes as had been anticipated, largely because combat losses have been unexpectedly small, the decision to cancel the Brewster contract was undoubtedly the proper one.

Nor does it appear that the workers in this instance were exposed to avoidable hardships. Mrs. Anna Rosenberg, regional War Manpower Commission director, has said that other jobs were available, and representatives of 17 war plants were on hand to sign up Brewster employees seeking other work. Apparently, however, the substitute jobs paid less money, and the great majority of the workers, encouraged by their union leaders, refused on the first day of the stay-in to apply for them. This reluctance to take jobs paying less money is understandable enough, but it is difficult to see how the Navy or any other agency is going to be able to guarantee that every worker in a shut-down plant will be able to find another job at the same rate of pay. This simply cannot be done, and if the union demonstration was aimed at that objective the union is only misleading its own members.

It does seem, however, that the Brewster management should have been given more notice that their contract was to be canceled. It was not until May 19 that officials of the firm learned that their contract was to be terminated as of July 1, and that in the meantime they could make only 150 of the 400 planes remaining on order. Whether this was entirely the fault of the Navy is not clear, but it seems quite evident that the responsibility rests somewhere with the Government.

In the case of Brewster, those workers who want other jobs can find them. But as the war progresses toward its close, and plant shut-downs become more numerous, many thousands of workers and their employers are going to be subjected to serious hardship if contracts are to be canceled and jobs lost with only a few days of notice. It is this prospect which is really at the bottom of the concern manifested in this instance, and if the Brewster demonstration serves to prod the Government into overhauling its inadequate contract-termination machinery, it will have been well worth while.

[Courier-Journal, Louisville, Ky., May 31, 1944]

Brewster Workers Haven't Reformed

Never did I expect to see in America such a picture of managerial chaos, such a complete break-down of worker morale, as this factory presents. Right and left were men and women idling, laughing, talking or just sitting inert at empty benches. Some work was going on here and there in a half-hearted kind of way * * * Exactly the same sabotage of our war effort, the same kind of break-down which in France was the prelude to defeat is taking place in the Brewster factories.

This quotation is from a long study of labor-management relations at the Brewster Aeronautical Corporation last October by Mrs. Agnes E. Meyer, wife of the publisher of the Washington Post. Mrs. Meyer is a thorouhgly competent reporter with prolabor sympathies. She found that the Brewster plant, notorious for having the worst production record of any aviation plant in the United States, was completely dominated by the most arbitrary and restrictive union contract this Nation seems yet to have produced. The company's naval contracts were so hopelessly bogged down that the Navy insisted upon a complete change of management last fall, a year after it had reorganized the management itself without any notable benefit.

One of the first acts of the new president, Henry J. Kaiser, who went in under a truce arrangement with the up-to-then militantly successful union, was to beg the Navy to cancel its contract with Brewster for bombers, so that the factory could be converted entirely to fighter-plane production. It is the contract for fighter planes that the Navy has now canceled, explaining that, "In addition to having no other work of importance to the war effort which would be affected by the termination of its contract for Corsairs, Brewster has in the past represented to the Navy that it would have great difficulty in completing that contract if it did not receive additional orders for these palnes." The Navy also cut back, as part of a $180,000,000 reduction in its fighter plane program, Corsair production now under way at the Goodyear Aircraft Corporation and United Aircraft Corporation.

But Brewster members of the United Automobile Workers' local, in addition to having helped build an almost unredeemed record of inefficient production at a cost of millions of dollars, have staged their version of a sit-down strike on the company's premises because their dismissals began Monday though the union's contract does not expire until July 1. In addition to the decision to continue working without pay, although at what the union has not explained, Richard L. Frankensteen, a vice president of the United Automobile Workers, has written and made public an impertinent letter suggesting that the Navy has political motives for canceling its contract.

There is no indication that the discharged workers would suffer long unemployment through the plant's closing. The War Manpower Commission has had its interviewers on the ground since the Navy 's announcement was made and has signed up more than 2,000 workers for other jobs. Neither does it seem, in spite of the union's claims, that the Navy has violated the law or customary procedure in canceling a contract for goods it no longer needs. But, most assuredly, nothing in the record of Brewster's workers justified them in assuming an arrogant attitude toward a contract cancelation.

[News, Washington, D. C., May 31, 1944]

How About Jobs?

Strong sentiment is reported among the Governors meeting at Hershey, Pa., for a prompt return of employment service agencies to control by the States. At the same time, in Washington, proposals that would tend to federalize the State unemployment compensation systems are being hotly argued.

Labor leaders and many Congressmen contend that the Federal Government will have to help the States carry a heavy and "inevitable" unemployment load, during post-war industrial readjustment. The Congress of Industrial Organizations demands action, for instance, on the Kilgore bill. This bill, among other things, would establish a Federal unemployment benefit system, with weekly payments larger than the States provide. Former servicemen and all civilian workers would be eligible, for 2 years after the war , to receive these payments during any periods in which the United States Employment Service could not place them in "suitable jobs."

On the other hand, spokesmen for various State governments assert that reserves accumulated by the States during the war are large anough to meet any probable unemployment situation in early post-war years: that Federal funds and Federal encroachments on the States' responsibilities are not necessary: that such benefits as the Kilgore bill proposes would invite many people to live in idleness instead of hunting jobs.

Now, if a long period of extensive unemployment is, in fact, "inevitable" during post-war readjustment, we suspect that the unemployment-compensation reserves of some States—large as they are—may prove inadequate. For example, those States where hundreds of thousands of people are now working in shipyards and aircraft plants that are bound to shrink to a fraction of their present size for a long time after peace returns—those States will face a special problem. They may have to be given some sort of Federal aid, though the Federal Treasury will have load enough without that.

But we believe that word "inevitable" is being overworked in this connection. It certainly is not necessary, as the Baruch-Hancock Report made clear, for most industries to spend many months getting changed over from war work to peace work, meanwhile leaving great numbers of their present employees idle and dependent on either State or Federal aid.

It's important to consider the probable or possible need for unemployment benefits. But the unquestioned need for employment is much more important, and not nearly enough is being done about that. More than 3 months after the Baruch-Hancock Report was submitted, for instance, the vital legislation for prompt, fair settlement of canceled war contracts, though passed by the Senate, is still awaiting action in the House. Government plans to enable the automobile industry and others to reconvert quickly, and to provide peacetime jobs when their war work is done, are moving too sluggishly.

Yet war-contract cancelations and cut-backs are increasing almost daily. And if the invasion of Europe goes as well as we hope, the need for perfected plans to provide a vast number of peacetime jobs with utmost speed may be upon us in a few months.

[Herald Tribune, New York City, June 1, 1944]

Again, the Crisis Technique

Through the personal intervention of the President the sit-in demonstration of Brewster Aeronautical Corporation workers begun on Monday has been terminated, although the problems facing management and workers are yet to be adjusted. The President decided, on the basis of a hasty report by James F. Byrnes, Director of the Office of War Mobilization, that the Navy's cutting of contracts for Corsair fighters was economically necessary, but that possibly sufficient forewarning has not been given the Brewster company. These would seem to be inescapable conclusions. Yet, it required the sit-in dramatization by the union, for once making common cause with their employer, to set in motion machinery for dealing with such an economic necessity, and avoiding for the future similar swift and frightening dislocations of men and industrial capacity.

The problem of demobilization of war industry has been facing us for some time; it was dealt with in outline in the Baruch-Hancock Report 3½ months ago. It could not help, therefore, but be disturbing to public confidence that the first instance of large-scale war contract cancelation found the administration follow-in the 12-year-old pattern of crisis, dramatization, personal appeal to the President, workers, or management persuaded (or forced) by the President to resume the status quo while steps were improvised. Brewster workers went home on the promise that the Joint Contract Termination Board will meet at once to consider new contracts for Brewster and to devise a procedure for handling such cases in the future.

Obviously, such a procedure should be working now, a procedure whereby the Navy or the Army, faced with the necessity to cancel contracts must first consult with a proper authority capable of coordinating the allotment of other contracts and providing for orderly disposition of manpower and materials. Such a procedure must insure adequate notice so that the plants and workers affected may have time to meet their individual emergencies. The elements of organization for orderly industrial demobilization are available in Washington. In the interests of unity and of public confidence, we should have no more dramas, no more on-the-spot guinea-pig experiments, no more personal intervention of the President to avert what might easily be a series of unseemly crises, before such an organization goes into operation.

[Sun, Baltimore, Md., June 1, 1944]

The Brewster Incident Offers Another Preview

Those 5,500 employes of the Brewster Aeronautical Corporation who staged a stay-in-work-without-pay protest against cancelation of the company's contract for Navy planes did more than develop an interesting inversion of the sit-down strike technique. They focused attention on one aspect of the contract-termination problem that has been rather generally neglected to date.

Both the Baruch-Hancock reconversion report and the statements released by the Senate Post-War Planning Committee, probably the two most detailed official discussions of the problem, have much to say about rapid and equitable financial settlements for canceled contracts. They advocate numerous means of encouraging industries to speed up the reconversion process and provide jobs for returning servicemen. But they have remarkably little to say about the reemployment of workers deprived of their existing jobs by contract cancelations.

The Baruch Report merely recommends that the procurement agencies notify the War Production Board of possible cancelations "as soon as they begin to think of them" and that these be carried out after consultation with "the War Manpower Commission and other interested agencies." The omnibus reconversion bill prepared by the Post-War Planning Committee simply provides on this point that war contractors be notified "of termination of any war contract at least 30 days in advance of the cessation of work thereunder."

What the Brewster case seems to have demonstrated is that advance notice and consultation with other agencies is not enough. The company was notified more than 30 days before the cancelation was to become effective. Spokesmen for both the Navy and the Army have stated that they have no need at this time for the Brewster facilities. At best, apparently, only one of the company's plants might be used for production of heavy artillery, and this would require extensive retooling. The result is that some thousands of workers face the loss of their present jobs—and no effective method is being invoked to see to it that they are shifted into other still necessary war jobs. The official response to their unprecedented protest is nothing more than a general promise that an attempt will be made to find new work for the plants.

Not that there are no other jobs available for Brewster employees. Representatives of some 17 other companies were on hand the other day to offer jobs to the Brewster stay-in demonstrators. Their efforts were unsuccessful, because in every case a shift of employment meant less pay, moving, loss of seniority, or some other disadvantage.

What will be the situation when the war has been won and contract after contract is being canceled all over the country? The experience at the Brewster plant is a dramatic preview of what may be expected. However carefully plans are laid, there is at the very best going to be confusion, disadvantage, and interruption for hundreds of thousands, even millions, of war workers. All the more reason for working now on plans to deal with a difficult situation.

[Free Press, Detroit, Mich., June 1, 1944]

Brewster as Capsule

The short "stay in" demonstration by workers at the Brewster Aeronautical Corporation's Long Island City plant is a capsule sample of one of the toughest problems that will face the country in the months to come. The Navy had abruptly terminated Brewster's Corsair fighter plane contract. Employees stayed in at the plant in protest until they received Presidential assurance that a search for new jobs would be made.

Well and good this time, but what of the next? What of the time when cutbacks will come in increasing volume? And of the point when whole factories will become idle all over the country? Then one of the most basic meanings of the word "post war" will become only too clear.

Michigan's deep concern is plain and Governor Kelly did a bit of high lighting the fact at the Harrisburg Governors' Conference. As he quite correctly stresses, the problem is by no means one for the individual States alone. Ever since war production conversion began, direction and output have been primarily the province of the Federal Government. The auto industry has been at the country's service, from highest management to the last part-time worker.

It is of the essence that the moment the need for war goods tapers off, plans be ready for reconversion to the products of peace.

[Evening Post, New York City, June 1, 1944

A Test We Failed

Talk has also been the dominant note in another great problem, that of converting industry from war to peace production without depressions and unemployment.

The one great test so far, the shut-down of production at the Brewster Aeronautical Corporation on Long Island City, found workers bewildered, with no jobs to go to, and the company in a daze and wondering what to do next.

The "we want work" sit-in, to which the desperate workers resorted, was finally settled by the President's personal intervention. But the President's sporadic intervention cannot take the place of a well-ordered plan of contract cancelations and reconversion to peace production. Nor of the systematic execution of such a plan.

We have such a plan—the Baruch plan, designed, among other things, to handle exactly such contingencies as the Brewster shut-down. Under the Baruch plan there is a Director of Retraining and Reemployment, Brigadier General Hines. He was appointed 3 months ago, on the theory that it would be his job to set up machinery that will take care of displaced war workers and returning veterans. Was General Hines consulted by the Navy before it suddenly and brutally canceled the Brewster contract? Apparently not.

It is unfortunate that this incident should occur in the first weeks of James Forrestal's secretaryship of the Navy. Though we are sure subordinates mishandled the job, yet Mr. Forrestal, as the responsible executive of his agency, must be held to account, and so must General Hines. What went wrong?

The Brewster blunder must not be allowed to become the pattern for the future. Let's stop praising the Baruch plan and begin to use it.

In the midst of these serious issues we take pause to note that Governor Bricker is worried about States' rights, while Mr. Dewey says ditto, all at the Governors' Conference. It must be refreshing and comforting for Messrs. Dewey and Bricker to be able to retreat to these lovely abstractions in the midst of grave national problems. We don't think it comforts the Nation much, though.

[Advocate, Stamford, Conn., June 1, 1944]

Toward Peacetime Production

The flare-up at the Brewster Aeronautical Corporation is an indication of the difficulties which we are going to have in abandoning war production. The Navy canceled its contract for certain types of planes and the corporation laid off a large number of workers. They refused to be laid off so they stayed in. The administration has taken prompt steps to find them work. There are some who would be willing to have the plant continue to make useless planes for the sake of keeping the men at work. There are some also who would expect the corporation to continue paying the employees even though there was no work for them to do.

It may be that this experience at the Brewster works will start Congress into doing something about the problems which getting back to peacetime production is going to raise. The Senate passed a bill (George-Murray) on May 4, and two bills have been reported to the House, one by its Military Affairs Committee, one by its Naval Affairs Committee. But the Rules Committee of the House will not let any of these bills come up on the floor of the House until after the House Judiciary Committee has studied them and reported on them. The Judiciary Committee may take its time on so debatable a subject; whatever bill is passed by the House will differ from the Senate bill; and late in June Congress will recess, perhaps only until after both national conventions have ended, perhaps until after Labor Day.

Too many persons assume that a high level of business activity will persist automatically after the war, peacetime instead of wartime activity. Doesn't the country need and isn't the country able to buy vast quantities of new automobiles, tires, refrigerators, electric irons, radios, houses, shoes, air-conditioning units, baby carriages, raincoats, locomotives, waffle irons—in fact, everything?

But it isn't so simple as all that. Most important American business units, and many relatively unimportant ones, are engaged on war business under Government contract or subcontract or sub-subcontract. Until these contracts and subcontracts are terminated, quickly and orderly, many a business is going

to have to wait to shift over into civilian production. During the delay unemployment will occur. If unemployment is widespread and prolonged, the purchasing power for all the new needed civilian products may be weak. After all, there were many things the public wanted to buy in 1932, also.

War machinery and materials will have to be moved out of the way or junked. Civilian machinery and materials will have to be acquired. New capital, much new capital, will be needed; in many cases it won't be available until the Government pays up for canceling the war contracts. Many war industries are operating under a lower ratio of assets to liabilities than before the war.

It is true that some steps have already been taken in preparation for termination of war contracts. Uniform termination clauses in war contracts have been generally accepted by the war industries. The principles to be followed in termination have been set out, although the methods are far from being standardized. The Federal Reserve System, through its regulation V, has provided for interim financing by producers whose war contracts have been canceled, although few such loans have yet been made. The problems, however, of getting back to civilian production are going to be very serious, particularly if warnings cannot be given and if the Government should fail to be prompt in settling up the payments for the war contracts.

[News, Washington, D. C., June 1, 1944]

Baruch Had the Answer

The situation at the Brewster aircraft plants has been handled badly and dangerously.

The Navy canceled Brewster's contracts for Corsair fighter planes with almost no notice to thousands of workers who faced loss of their jobs. The workers staged "sit-in" strikes at the Long Island City (N. Y.) and Johnsville (Pa.) plants. Their Congress of Industrial Organizations union put pressure on the White House. President Roosevelt told the Navy and other Federal agencies to look for other Government work that might be given the Brewster plants. The workers, clearly taking this as a promise that other work will be provided, then ended their "sit-ins."

The danger is that this incident will set a pattern; that unions representing other workers affected by war-contract cancelations will put similar pressure on a politically sensitive White House and Congress; that Government will "make work" for all other plants; that vast amounts of borrowed money will go for military production not needed in the war effort.

Yet Bernard M. Baruch foresaw just such situations, and the Baruch-Hancock report laid down a formula for dealing with them wisely and without waste of money on useless production. Here's what would have happened in the Brewster case had that formula been followed:

The Navy and other agencies would have explored all possibilities of other Government work for the plants before—not after—the Corsair contracts were canceled.

If no other Government work was found available, the Government would have told workers and public "fully and frankly" what problems were involved and why the contracts must be canceled, thus, as the Baruch-Hancock report says, providing an "important defense" against pressures for unnecessary production of war materials.

Brewster would have been assured of prompt payment of money due it from the Government, and would have been encouraged to convert the plants swiftly for production of needed civilian goods to the fullest extent possible without interfering with the war. And there are now large surpluses of many materials that might be used in producing civilian goods.

War-contract cancelations and cut-backs will affect an increasing number of plants from now on. If Baruch-Hancock recommendations continue to be ignored, this country will pay a heavy and needless penalty in waste of public funds, shortages of civilian goods, delayed industrial reconversion, unemployment, and adversity.

Concerning an Assistant Secretary of the Navy who is said to have suggested that Brewster workers could find jobs by moving to other areas, Richard T. Frankensteen, a leader of the Congress of Industrial Organizations union involved, asked: "What does he think we are—a civilian pup-tent army?"

Wisecracks like that will win organized labor no friends among soldiers. A great many Americans, living in pup tents and foxholes and moving where and when they are told, would relish an opportunity to tell Mr. Frankensteen as much.

[Daily Worker, New York City, June 1, 1944]

The Lesson at Brewster

The situation at Brewster Aeronautical has taken a new turn. On hearing that President Roosevelt has intervened for new contracts to keep the company and its 13,500 employees producing, the workers left the plant. They are home, hopefully awaiting the outcome.

All America hopes with them, for this isn't only a Brewster matter, nor a problem limited to labor. The Brewster events dramatized the problem that is the key to all America's wartime and post-war outlook. It was a sharp jolt; a warning to the country that the problem cannot wait. Our reconversion policy must follow a plan, because we are already confronted with its practical aspects.

Our immediate wartime interest cannot permit lay-offs or a stoppage of plants especially if they come like a bolt from the blue. We need all the productive capacity that is available and we cannot have thousands of needed workers idle or scattered to the four winds to shift for themsleves.

The demoralization this sows throughout the country is even more costly to war production. Furthermore, the policy of permitting workers to drift back to lower-paid jobs is as harmful to our entire post-war perspective of an economy of abundance and full employment, as it is unjust to the workers affected.

JOINT PLAN URGENT

The policy of freezing wage rates which labor has so long been protesting, now operates against victims of cut-backs just as it has been the cause of a manpower turn-over—a steady shift of workers to higher-paid fields. We need now, more than ever, the joint Government-industry-labor planning that unions have been demanding, to solve manpower and related problems.

The Brewster experience also points to the inadequate reconversion legislation which so far covers only the financial settlement aspects of contract termination. Under the provisions of the Kilgore bill which the Senate's committee shelved, a Brewster situation would be impossible. Army or Navy authorities would not dispose of such matters as though they were purely military decisions. Coordination of all factors—human, economic, and military—consultation between labor, management, and Government, would be the rule.

The Brewster lesson is this: Efforts to use cut-backs as a wage-cutting device can be tolerated no more than encouragement of forces to seek such lay-offs as an instrument to embarrass the Roosevelt administration in the elections.

The Brewster affair is also a warning that America's workers, while generally in accord with the "free enterprise" conception, will not go back to the past of unemployment and low wages. Nothing less than an economy equal to our wartime level will do. Only maintenance and extension of higher consumption standards among the American people as a whole can make such economy possible.

[Post, Washington, D. C., June 1, 1944]

Cut-Back Jitters

(By Selden Menefee)

The controversy over the threatened closing of the Brewster Aeronautical Corporation's plants clearly shows the need for more consideration of the human as well as the financial aspects of reconversion. The way in which the cut-back has been handled caused much bitterness among Brewster workers, who blame the termination of their contract to produce Corsair fighters on a feud between the Navy and the company management.

Brewster's past inefficiency, thoroughly exposed by Agnes E. Meyer last October, has largely disappeared. Since Henry J. Kaiser took over the business for a time last winter the number of workers at the Johnsville plant has been cut from 6,000 to about 3,800, and production is reported to be running ahead of schedule.

If the lay-off goes through not only the Johnsville workers, but 13,500 at the Long Island City plant will be affected. Brewster workers feel that they are being penalized for past shortcomings now corrected, especially since production of Corsairs will continue in labor-shortage areas in Connecticut and Ohio. (Neither Brewster plant is in a labor-shortage area.)

Some use will probably be made of the plants and their employes in other types of aircraft construction, according to War Production Board sources. But

announcement of the present contract's termination before plans for absorbing the workers had been completed is itself a reflection on our reconversion procedure.

PRODUCTION EFFECTS

"Reconversion jitters" in our war plants may become more widespread and affect war production adversely if a more orderly system of handling cut-backs is not made universal. This is especially true in the smaller war centers, where jobs are not readily available for dismissed workers.

So far the biggest cut-backs have come in our larger cities, where plenty of jobs are to be had. When the huge St. Louis ordnance plant closed down, for example, its 15,000 workers were flooded with offers of employment. St. Louis, itself, had openings for 12,000 workers in war plants and for 4,000 others in less essential employment.

An example of how a necessary cut-back can be put into effect with a minimum of strain was supplied by Baltimore's Koppers Co. recently. The Bartlett-Hayward division of this company had been producing antiaircraft gun mounts for the Army since April 1942. On December 24 of last year, however, the company was notified that because of the changing war situation its contract would be canceled at the end of February this year.

A meeting of company executives was called. They decided to take the workers into their confidence immediately, to forestall disruptive rumors.

Accordingly, meetings were held with plant supervisors, representatives of the United Electrical Workers Union at the plant, and the labor-management committee. The facts were presented and the employee representatives were asked for advice on how the lay-off could be effected.

The next day notices were posted on the plant bulletin boards outlining the reasons for the cut-back. They explained that several hundred more gun carriages were still to be produced. It took about 6 weeks to complete a gun mount, providing an opportunity for spreading out the lay-offs. First, fabrication workers, then welders, then machine operators, and finally assemblers, were to be laid off, over the 6-week period. Dates for each lay-off were given.

PLACING WORKERS

The company undertook to place all workers possible without loss of working time. Employment Service officials were brought into the plant to interview the men on "company time." One company official was made responsible for issuing certificates of availability. Requests for releases before the lay-off dates were considered individually and usually granted.

Under this system there was no panic, no resentment among the workers. Large numbers of them found their own jobs. The Employment Service placed others. Seventy workers were transferred in a body to a ship-repair yard.

By February 1 some 600 of the 750 workers had found other jobs, with almost no loss of working time. The procedure was so orderly that the absentee rate, normally 5 percent, increased only to 6.1 percent during the transition period. Company officials reported no slackening of effort among the workers; many of them worked harder than ever "to get the production out of the way."

This shows what can be done, with adequate notice beforehand, to handle production cut-backs. Of course the job is harder in small towns like Johnsville, where transfers are less easily effected. But with a little tact and foresight, the strain of readjustment can be minimized.

The Army Service Forces, under Lieutenant General Somervell, have made every effort to handle cut-backs by the method used in Baltimore. The Navy Department, which is responsible for the Brewster affair, might well follow suit.

The Brewster affair also points up the need for a single Government agency to handle the problems of reconversion on a fair and uniform basis.

[Inquirer, Philadelphia, Pa., June 1, 1944]

Brewster Case Points an Issue

Now that the Brewster aircraft workers have ceased their "stay-in" demonstration against cancelation of Navy contracts foreshadowing loss of their jobs, the causes which provided the excuse for their unprecedented and reprehensible action calls for consideration.

This sensational proceeding was merely a new symptom of a serious situation now in its first stages but holding exceedingly grave possibilities as time goes on.

It was dramatized in the public mind by its special setting at Brewster, a perpetual center of turmoil and trouble, a headache for the directors of the Nation's war program almost from its beginning.

The workers were ordered to relinquish their foolish performance by the same union leaders who told them, in the first place, to remain idle in the plants or merely to go through the motions of working as a protest against the Navy's preemptory proceeding.

Two congressional committees, while not holding management guiltless, spared no words in fixing a large share of the blame on the Brewster union's boss, De Lorenzo, and the rank and file which so meekly followed his pernicious leadership, when the frequent interruptions of aircraft production were under investigation.

Yet only a few months ago, when this same De Lorenzo was up again for election as head of the union, the members gave their overwhelming endorsement to the self-confessed perjurer and flouter of his country's laws, whose prosecution had been recommended by a congressional committee.

It is small wonder if the public is unable to sympathize with those workers, who have previously shown their utter disregard for their pledged word not to strike and their willingness to place their alleged grievances above the needs of our armed forces and their country's safety and welfare.

Yet the laying off of this particular group of war workers emphasizes a weighty responsibility which our Government cannot avoid, a problem that must be faced right now and that cannot wait until after the war.

The responsibility relates to what Bernard Baruch has termed "the human side" in dealing with the major problems of war contract terminations, plant reconversion, and industrial demobilization.

Much attention has been centered on square financial dealing by the Government with war contractors whose goods are no longer needed. There should be prompt cash settlements with large and small business, both as a matter of justice and aid to employment. Long delays in completing such transactions caused many hardships after the First World War. But more direct provisions for displaced labor must not be ignored.

Could not alternative uses for the Brewster plants have been foreseen? Bills now pending in Congress would meet such readjustment problems—after the war. But they must be dealt with now. The Baruch report asserted that plants and manpower released from one type of war work should be promptly utilized for some other type or for essential civilian uses.

This requires planning long in advance of contract cancelations. Certainly there will have to be cut-backs and cancelations. The Government shouldn't buy what it doesn't need. But neither can it afford to neglect the human factor, the provision of new jobs for workers displaced by its necessary policy.

[Journal of Commerce, New York City, June 1, 1944]

Vested Interests in War Jobs

The Brewster Aeronautical Corporation's employees are making the amazing contention that workers in war plants have a vested interested in their jobs.

No reasonable person will question the judgment of the Navy in cutting back its Corsair plane production program, for that is purely a military decision. In view of the union's own record at Brewster before the Henry Kaiser management took hold, as well as efficiency and cost comparisons with the two other manufacturers of this plane, the cancelation of the Brewster contract was the logical way to effect this cut-back. Since the manpower shortage is the chief bottleneck in war production, it is incumbent upon the armed forces to cut-back war orders just as rapidly as this becomes possible, to free workers to take other jobs where they are urgently needed.

The Congress of Industrial Organizations United Automobile Workers insists, however, that new war orders be granted Brewster to take the place of the canceled contract for Corsairs. This demand is not based upon any proof that the Brewster plant can turn out implements of war which are really needed expeditiously and economically. Rather, it rests solely on the untenable contention that, once a plant has done work on war contracts, its workers acquire a vested interest in their particular jobs in that same plant

The Brewster workers forget that they did not hold War Production Board jobs, but were working for a private employer who no longer has work for them. At a time when the manpower shortage is so acute, they will encounter no difficulty in getting other jobs. True, up-grading has gone on to such an e tent in war plants

that these men and women may not get as good jobs as they had before, but no vested interest was created when they were hired by Brewster. Such a vested interest would eliminate whatever mobility and flexibility is left in the labor market.

Should new contracts now be let to Brewster solely because of the sit-in strike by its employees, a very unhealthy precedent will have been set. War workers would in effect be told that pressure on the Government through the Congress of Industrial Organizations gives them a virtual vested interest in their present jobs within the plants where they are now employed. At the close of hostilities, when wholesale shutdowns of war plants will become necessary, these demands could be satisfied only by heavy Government spending programs to provide such jobs, making impossible a balancing of the budget and a return to a sound free enterprise system.

[Gazette, Reno, Nev., June 1, 1944]

When War Contracts End

The "stay-in" demonstration of workers at the Brewster Aeronautical Corporation in New York has ended following the promise of War Mobilization Director Byrnes that efforts will be made to "cushion" the dislocations resulting from the abrupt termination of a Navy fighter plane contract with the Brewster Co.

This is not the first instance of hardship accruing to a plant and workers from termination of a Government contract on short notice. It has received more notice than others because of the "stay-in" demonstration in which the workers remained at the plant.

This incident points to the need for prompt action by Congress on legislation concerning the termination of war contracts. There will be other, and more serious, dislocations resulting from cessation of the manufacture of some armaments as quotas are reached. Unless steps are taken to insure that the changeover from wartime to peacetime production is accomplished quickly and orderly, the Brewster incident is likely to be reenacted on a much larger scale.

War machinery and materials are going to have to be moved out of the way or junked. Civilian machinery and materials will have to be acquired. New capital, much new capital, will be needed; in many cases it won't be available until the Government pays up for canceling the war contracts. Many war industries are operating under a lower ratio of assets to liabilities than before the war.

The Baruch-Hancock report last February took up this problem. The report recommended that small business be given priority in terminating contracts. There should be coordination in the termination (more than is now provided by agreement among six Government procurement agencies). The Government should pay fully and promptly for (1) completed articles, (2) readily calculable parts of partially-finished articles, (3) approved settlements with subcontractors.

A new system should be developed for Government-guaranteed contract termination loans by local banks. If business firms can't get such loans within 30 days of the cancelation of Government contracts, the Government should extend loans directly.

In most cases, the prime contractor should be left free to settle directly with subcontractors. In other cases, specially trained teams of Government negotiators should be given wide discretion to settle with subcontractors. Government property should be removed from plants no more than 60 days after the contractors have submitted an inventory of it. And the Comptroller General should have authority over contract termination only to investigate fraud and check computations.

The George-Murray bill passed by the Senate on May 4 follows in many respects the Baruch-Hancock recommendations. Two bills along the same lines have been reported to the House of Representatives by committees. It is predicted by Washington columnists, however, that new legislation on terminating war contracts isn't likely to be enacted for several months—possibly not until after the congressional recess this summer. The Brewster incident shows that that won't be soon enough to forestall serious hardships by war plants and war workers.

[Record, Columbia, S. C., June 2, 1944]

Brewster Example

As was inevitable as the war progressed the Navy has been forced to cut down on the production of pursuit planes and since the Brewster Aeronautical Corporation has been the least efficient producer of this type—the plant was torn with labor dissension until recently—it has canceled its contract with Brewster as of July 1.

Brewster, the Navy explained, has the lowest output of all Corsair producers and the highest per plane cost.

But the 13,500 workers at the three Brewster plants, who have been willing enough in other days to delay plane production by various strategems, refused to accept the dismissal orders and staged a "sit-in" demonstration. The demonstration was only called off after the United States Government promised to hunt for new war work for the corporation and James F. Byrnes, director of economic mobilization, had admitted that the company had not been given sufficient notice of the cut-back.

There were, of course, representatives of other war employers at Brewster when the company began distribution of the lay-off notices, seeking the discharged employees for work elsewhere. But most of these new jobs didn't pay as much as Brewster and the men evidently didn't like the idea of a pay cut—though there will be plenty of pay cuts when the war is over and employment and business return to normal.

The incident serves to reveal the necessity of working out some orderly system for terminating war contracts. There is no excuse, satisfactory to the American people, for continuing to manufacture planes at Brewster or anywhere else beyond the day when these planes are needed and the taxpayers will demand that contracts be speedily terminated when the need for any product expires. We do not want vast quantities of every kind of material left after the war is over.

But on the other hand manufacturers of war supplies are entitled to reasonable notice of the war and Navy Department's intention to stop production in order that they may convert to something else. Every war plant, as a matter of fact, ought to be already ready with plans to convert to some other product, should conduct studies and surveys looking toward the day when peace comes. Some of them, of course, will have no use in the days of peace, but some can be converted.

At Brewster both the Government and the management as well as labor may be at fault. Presumably the Government has been giving considerable thought to this problem of conversion. But if the Brewster incident be any criterion the Government hasn't yet found a satisfactory formula for terminating contracts—or if it has been arrived at it wasn't applied at Brewster.

But the problem as presented now during the war is a small scale problem compared with the problem we will eventually face. It is simply a little rehearsal for what is to come and it isn't settled by any switch of the Brewster plants to the production of parts for Corsair fighters to be supplied to the other manufacturers; eventually the production of Corsair fighters will be discontinued altogether. But we can use the Brewster case to discover the errors in our policy and to find solutions of them.

And the sooner we act to get a clear policy on contract cancelations the sooner we begin to apply it in all cases the better. Time is growing shorter and shorter.

[Sun, Baltimore, Md., June 2, 1944]

The Brewster Workers Establish a "Right"

Regard with respect those "sit-in" workers at the Long Island City plant of the Brewster Aeronautical Corporation. They are pioneers of the new economic order. They have developed a new pressure-group technique, which might be called the strike in reverse. They have put across their point, not by refusing to work, but by refusing to stop work.

More than this, their point itself represents a new labor principle. They have successfully asserted a claim (though it doesn't yet have the status of a legal right) not only to have jobs but to have those jobs where they want them to be and at their current rates of pay.

Where they want them, of course, is at the Long Island City plant of the Brewster Co. Representatives of other war industries have made them offers—indeed, would love to hire them. The War Manpower Commission has stated that 11,000 jobs are "immediately available" in the near-by New York city area, more than enough to accommodate the full 9,000 on the Brewster plant lists. But those Brewster employees want to keep on working right where they have been working, and the Administration has obediently accepted that proposition. Pressed to it by President Roosevelt himself, the military procurement agencies are trying to rejuggle the military production program to meet the wishes of the Brewster workers.

This is, it must be admitted, a novel complication in the planning of military production. If it becomes an accepted part of the procedure, soon or late it is bound to raise the question whether military production is being undertaken primarily to provide our fighting men with the weapons they need or to suit the convenience of the war workers.

[Christian Science Monitor, Boston, Mass., June 2, 1944]

New Labor Plans

One of the more regrettable features of the Brewster Aeronautical cut-back is that it is accelerating a general rush to nonwar jobs. War workers read about the summary action of the Navy in canceling the contract and about the "stay in" of the workers, and then bethought themselves of jobs offering peacetime possibilities.

The turn-over among war workers, now estimated to be running at the rate of from 60 to 75 percent a year, together with the cold reception given pleas for national service legislation, are apparently behind plans of the War Manpower Commission to tighten up employment practices.

It is claimed in Washington that wholesale evasions are being made of the Commission's present referal system requiring releases and statements of availability. So a new scheme is reputedly being readied for early application under which all employers must turn exclusively to the United States Employment Service for workers. United States Employment Service will channel all men into war work according to priority of need and according to a rationing of manpower among various plants. As now planned, only women will be available to nonwar producers.

This is drastic, but certainly something effective must be done to decelerate the present disruptive and inefficient movement of workers and to relieve war plants of having to depend solely on higher wages to recruit new workers.

[PM, New York City, June 2, 1944]

Storm Warning At Brewster

(By James A. Wechsler)

There is no way for civilians to pass judgment on the wisdom of suspending plane production at the Brewster plants. The decision rests on information which is actually, as well as formally, "restricted." But the manner in which this decree was issued by the Navy Department cries for comment: It was irresponsible, short-sighted and inhumane. The men responsible for it, as a United Auto Workers official has noted, bear the unmistakable stamp of the "Wall Street Navy." They can be tough and truculent when they are dealing with human materials. They have never displayed a similar disregard for the property rights of their clients.

Many mysteries in the abrupt cancelation remain to be cleared up. Why were the Long Island City Brewster plants designated for oblivion at a time when factories in tight labor-market areas remained unmolested? Why was so little notice given to the Brewster management? Why, at a moment when President Roosevelt was expressing hope that new contracts could be found, did naval officials throw up their hands and announce there was no hope? Why did the Navy act on its own, without first surveying the possibility that other agencies might furnish contracts to the crippled plant?

These questions have not been answered. No doubt some naval officials, still living in the atmosphere of Wall Street brokerage houses, will regard the asking of such questions as a civilian impertinence. Having donned their blue-serge suits, they are ready to damn the human beings involved in reconversion: full speed ahead.

As an isolated case history in naval thinking, this episode is wretched enough; as a prelude to the vast task of reconversion confronting the Nation, it is a storm warning that we cannot easily disregard. For one thing, it reflects the attitude of many brass hats who will play important roles in the reconversion period. They have never considered war workers as an integral part of the Allied armies. They have never recognized that the men working in war plants are rendering a contribution as vital and necessary as the functions performed by men in uniform. They still view war-plant employes as hirelings to be disposed of when the quirks of production so dictate. The remarks made by naval officials, as reported by Richard Frankensteen of the United Automobile Workers, fully confirm these charges. We eagerly await the denials.

Some temporary solution to the Brewster crisis may be found. It will be an anxious afterthought. It will be a desperate expediency. It will prove nothing. The fact that this could have happened, in an era when both Army and Navy officials are still clamoring for labor-draft legislation, is the key fact, transcending all others. Whom are they kidding, anyway? Do they believe they can sell a labor draft to the Nation when they manifest this arrogant disregard for the security of war workers? What happens to their antistrike preachments when they so frivolously toss 10,000 or more men into the streets, admonishing them to find other work?

Of course there are answers. We cannot question the desirability of curtailing contracts or shutting down a plant. It is the cold and ruthless procedure employed that cries out for protest. And once again the moral appears plain: let the Army and Navy run the war, but do not entrust them with the complex human business of running the business of a democratic society. We cannot read the motives behind the Brewster fiasco. Many suggestions—silly and sinister alike—come to mind. The important point is that it happened. It happened because the Army-Navy mind has no comprehension of the civilian-worker mind. It happened because the boys in the blue-serge suits are accustomed to dealing with their help as they did at Brewster.

No sure and simple shortcut to reconversion exists. There will be areas in which wages must be reduced when employers shift from war work to civilian production. There will be sharp conflicts over wage rates during the transition era. It is fantastic to imagine that we can transform our economy to its peacetime pace without precipitating real and legitimate controversy. What makes the Brewster mess so monstrous is that it occurred so early, and with so little justification. It is a grim and terrible preview of what lies ahead if we let the Army-Navy experts make the worst of each situation, ignoring the facts of economic life and acting according to their own whim and prejudices.

President Roosevelt's rebuke to the Navy was polite, but pointed. He acknowledged that the shut down was inevitable. He emphasized, however, that it was taken too fast, and without adequate notice. His words will undoubtedly pain some of the naval brain-trustees who figured out this move in their air-cooled offices. But they were a solemn admonition for the future.

The War Production Board's Executive Committee, including talented labor representation, proposes to deal with future crises of this sort. Certainly this committee should be fully consulted before any further production atrocities are committed, affecting the lives, welfare and morale of thousands of citizens. At the same time it is clear that the United States Employment Service, which must carry the burden of transferring displaced war workers, needs additional funds and personnel. For the function of the United States Employment Service is to confront the human issues so glibly ignored in the War and Navy Departments. It picks up the human pieces. It could help to correlate contract termination with local employment conditions.

The Brewster case is a first-rate national tragedy. It may be far more disastrous than the fragmentary strikes which War and Navy officials are so fond of viewing with alarm. It can be historic, however, if it demonstrates once and for all that the brass hats must not be entrusted with the great and challenging task of post-war reconversion.

[Constitution, Atlanta, Ga., June 2, 1944]

A Poor Settlement

It may be that the parts to be made by the Brewster plant vitally are needed and that the tools were there to do the job.

Unless this be true, placing of another contract at the Brewster plant represents a failure by the Government's labor board to bring about a showdown at a plant where a showdown long has been needed.

Investigation made a year ago showed the Brewster plant to have the worst production record in American industry. It was found to be completely dominated by the most restrictive and arbitrary labor contract produced in the long history of contractual relations. The Navy's contracts were so badly neglected that last fall the Navy obtained a change in management.

Henry J. Kaiser went in as the new manager and obtained a change in contract, substituting fighter plane production for bomber construction.

It is this contract the Navy canceled.

The Brewster workers, having established the worst record in America, quit work when notice was given of termination of contract even though the contract did not end until July.

Richard L. Frankensteen, one of the few Communists in labor circles who give the entire organization a bad name, long has needed a jail sentence. He heads the plant union of the United Automobile Workers. He is as disloyal as any convicted of sabotage and sedition. He now has the effrontery to charge "politics" was behind the canceling of the contract.

The War Manpower Commission already had obtained jobs for more than 2,000 of the men. The plant needed breaking up, and Frankensteen needed to be arrested on the evidence at hand.

To put a parts contract in the plant is to sustain inefficiency and disloyalty.

[Tribune, Chicago, Ill., June 2, 1944]

The Brewster Case

The Navy canceled its contracts with Brewster for Corsair fighting planes because, the Navy Department alleged, losses of planes in the Pacific have been so light as to make previous estimates of needs excessive. Brewster was selected for cancelation, the Department said, because its costs per plane were the highest of the three companies making Corsairs. The comparative figures were $72,000 for Brewster as against $57,000 and $63,000 for competitors.

This can well be believed. The Brewster management was for some time in the hands of a pair of ex-convicts. The Congress of Industrial Organizations union in the plant was in the hands of another ex-convict, whom the members retained in office after his criminal record and the fact that he had traveled under eight different aliases were uncovered by a congressional committee. Under his leadership there was a long series of work stoppages in the plant.

It is unnecessary to make an exact division of the responsibility for the inefficiency at the Brewster plants between the management and the employes. Both obviously contributed to it, and neither, therefore, had any just reason for complaint when the contract was canceled as the result of that inefficiency.

The union members did protest, however, through their favorite tactics of a sit-down strike. They were backed up by national officials of the Congress of Industrial Organizations and received the sympathetic support of Mr. Roosevelt, who said at his press conference that he thought the cancelation had been hasty. The sit-down was not ended until War Mobilization Director Byrnes was assigned to find new war contracts for the Brewster plant.

The administration alleges that there is a manpower shortage, but the Brewster employes refuse to seek work elsewhere. They want it brought to them, and Mr. Roosevelt, with Sidney Hillman's slush fund in mind, is apparently going to bring it.

The Congress of Industrial Organizations leaders have not gone quite to the point of demanding that the war be prolonged for the benefit of their members, but they come close to it with the demand that production of unneeded weapons be continued. Instead of war workers supporting the war they demand that the war support the war workers.

Richard Frankensteen of the Congress of Industrial Organizations denounced, "Wall Street minds" in the Navy Department, asserting that Artemus L. Gates, who went to the Navy Department from a New York bank, met a protest at the dislodgment of the Brewster workers with the statement that he was more concerned for the small stockholders.

No one has yet spoken up in Washington to voice concern for the small taxpayers, nor is any one likely to unless there is a change in November.

[Star, Washington, D. C., June 2, 1944]

On the Record

(By Dorothy Thompson)

There have been three interesting and symptomatic actions in the field of labor during the past few days.

First, the warning by R. J. Thomas, president of the United Automobile Workers (Congress of Industrial Organizations), to the members of his own union that if wildcat wartime strikes continued the whole trade-union movement might be crushed when the war was over.

Second, the suggestion of Harry Bridges, extreme left-winger of the Congress of Industrial Organizations and president of the International Longshoreman's Union, that "in return for guaranties of basic union security" the strike weapon be abandoned even after the cessation of hostilities and the return to a normal peace economy.

And, third, the sit-in strike in the Brewster plant.

These three events are revelatory of what is going on in the minds of the leadership of American labor. They all indicate the fear that labor has of the post-war period. But they are three different fears, expressed by three different attitudes.

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Mr. Thomas is afraid of a split between soldiers and civilians after the war. He knows that for a man in a foxhole, a strike at home for whatever justification cannot be explained. He apprehends that returning and jobless soldiers, if convinced that they have been in any way let down by the workers at home, may be used by the enemies of labor to break union ranks. Long before Mr. Thomas issued the warning it was made by high officials of the armed forces.

Mr. Bridges goes further. The soldiers coming back will be unorganized. So if there is a strike situation after the war these soldiers can be played against the unions, and Bridges is concerned with the maintenance of the union structure and, therefore, seeks a working agreement with management so that management will not play this labor reserve against the employed workers.

The Bridges proposal has met vehement opposition from all the leading labor leaders of both the American Federation of Labor and the Congress of Industrial Organizations. They see in Bridges' proposal a Moscow line of conservatism, of abandoning the right of labor to raise wages and improve working conditions in behalf of a better understanding between the United States and the Soviet Union. They believe that labor without the right to strike will be impotent.

But both these lines are theoretical. Far more revealing of the real question is the sit-in strike in the Brewster plant.

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Involved here is no question of wages or labor conditions or union rights. Involved is the far more fundamental question—the right to have continuing employment. It is begging the question to say that under wartime conditions the Brewster employees can easily be reabsorbed into other industries. It is also begging the main question to say that the Brewster rates of pay are higher than the men and women thrown out of work by the ending of the Navy contract might find elsewhere. These conditions are temporary. Senator Murray, after a hearing in which he examined company and union officials, as well as spokesmen for the bureaus of the armed forces, hit the nail on the head when he remarked, "The Brewster sit-in strike is a guinea pig of conversion policy—an advance warning to companies working on war contracts that new work be planned before contract terminations become more general."

The Brewster employees really have put their finger on the problem—the post-war maintenance of full employment. Mr. Thomas' fears can only be realized if there is no general plan for postwar economy which will lead to full employment. Not the right to strike, but the right to earn a living is what is really

involved. No union leaders can maintain standards of labor if there are millions of workers knocking at the doors of factories and offering themselves at any price. Neither strikes nor agreements with management, such as suggested by Mr. Bridges, would save these organizations in this event.

[Bulletin, Philadelphia, Pa., June 2, 1944]

Planning Need Underscored

Brewster Aeronautical Corporation has been a production problem child from birth. It suffered from management trouble and labor trouble, and had to be nutured with a rich diet of Government loans. At one time a specialist was called in to save it. Today, in the light of production costs per unit and manpower expenditure per plane assembled, it is seen to be far from robust.

When, therefore, the Navy had to curtail orders for the type of plane Brewster was assembling it was logical that Brewster should be the patient to be wheeled into the operating room. The operation was sudden; the cut deep.

But a complication developed. Several thousand employees found themselves faced with loss of jobs. They felt that neither Government nor industry could justly treat them as if they were obsolete machinery. Besides, there are hundreds of thousands of other workers in other airplane plants. The Brewster situation was likely to inspire in their minds the question: "Will we be next? Is this the treatment we will get?" Such thoughts do not stimulate production.

The Navy recognized its duty to the Treasury in stopping production of unneeded equipment at out-of-line prices, and now it recognizes some obligations to the workers. Steps are being taken to find work for the Brewster plants, or alternatively to embrace at least one of them in the Navy's own production scheme.

Such measures are reassuring. But the necessity for them sharply points up the need for speed in post-war planning; a task in which industry itself is expected to take the lead.

[Statesman, Boise, Idaho, June 2, 1944]

Brewster Fracas

The Brewster plants, you will remember, were an absolute flop until Henry Kaiser was sent in a few months ago to straighten matters out. They were a flop chiefly because one Tom de Lorenzo, a criminal many times exposed by Pegler, and boss of the local union, said the death of our men on the battle fronts was secondary to his labor squabbles. Nobody in the New Deal from the President down rebuked the gangster or had a word to say against him.

Because of its dismal record, the Brewster plants are among the first to have contracts canceled. That's no punitive action. More and more contracts will have to be canceled in a lot of places as the war approaches its end. It is quite logical that those plants which were least efficient should feel the ax first.

But 11,000 Brewster men refuse to quit. It seems that the time has come when men can no longer be fired in this Nation, no matter what kind of mess they have made of things. They simply sat down and said they wouldn't leave; and now the President has said he would look into the matter and see what can be done. We'll not be at all surprised if the Brewster plants go on "producing" with alias De Lorenzo still bossing things.

The matter is much bigger than Brewster. It raises this question: Has organized labor so thoroughly entrenched itself that it can no longer be hired and fired? If the Brewster incident is to become a precedent, then obviously we shall find this Nation in a sorry mess as we approach reconversion—because other thousands or millions will sit down and demand their pay while sitting, and Government, unless we are a bad prophet, will see that they get pay—at least until November.

These men could find employment elsewhere at this time. They don't want to. It was nice loafing under a gangster with a criminal record whom neither the President nor his War Labor Board could or dared chastise. It all goes to show again that Mr. Roosevelt in his long bid for labor's votes has laid upon this Nation some problems that it will be very difficult to solve.

[Plain Dealer, Cleveland, Ohio, June 3, 1944]

Brewster Incident

The most significant fact of the sit-down demonstration of workers at the Long Island City plant of the Brewster Aeronautical Corporation was that this first instance of war contract cancelation on a scale involving a large number of employees found both Government and industry without any plan for taking up the slack in employment, or using the plant for civilian-goods production.

Reams of stuff have been written both by Government agencies and organizations representing private industry of the importance of plans to avoid serious dislocations of the kind that followed hard upon the armistice in 1918. Early this year the widely publicized Baruch-Hancock report dealt with every important aspect of the reconversion problem and recommended a course of action which has scarcely been challenged.

But in the face of these facts the Navy, for reasons of economy, closed on the shortest notice a war plant without a thought, it appears, for its conversion to civilian production or for the welfare of its employees.

The Government in an effort to meet the emergency created first by the sit-down demonstration and the prospective unemployment of 9,000 workers set about feverishly to find new business for the plant and workers affected. Pending the outcome of an engineering survey it is proposed to soften the shock of complete contract termination by placing with the company a new contract for the manufacture of airplane parts to be used by companies which with Brewster have been the manufacturers of Corsair planes.

Obviously this is only a stop-gap. For such business as is made available to Brewster must by the nature of events be taken away from other manufacturers. Thus the Government in meeting one acute situation paves the way, in all probability, for several situations of the same general character, situations which will increase in number and complication as the war approaches an end and demobilization gets under way.

The Brewster incident and the Government's method of dealing with it bring forcefully to public attention a fact that has been glossed over by those who have believed the Nation's economy was sufficiently flexible to take conversion from war to civilian production in its stride. It makes it clear, where it was not clear before, that the processes of readjustment will entail severe shocks and dislocations and that the best that can be hoped for will be measures of cooperation between Government and industry to reduce their acerbity.

If the fact has not been established by the Brewster incident that presently war contracts will be canceled without the possibility of new war contracts to take up the slack that, too, will be established at an early date—and the sooner the better.

War is destructive and production for war entails a heavy liability for the economy however much employment it provides or however great the pay rolls it supports. It is thus desirable that it be tapered off as the course of military events permits, and that the energies now moving into war and destruction be diverted into channels of peace and useful production.

No course of action could be more indefensible than to continue war production as a glorified W. P. A. on the grounds that people must be employed and jobs provided for all.

We recommend accordingly a careful reading of the Baruch-Hancock report by persons who will have important responsibilities to discharge in connection with contract termination and industrial reconversion.

[Sun, Chicago, Ill., June 3, 1944]

"Stay-In" at Brewster

A stay-in demonstration at the Brewster aircraft plant on Long Island has given us a graphic lesson in the need for planned demobilization of war industry.

This strike in reverse protested the sudden cancelation of a Navy contract for fighter planes. Undoubtedly the Brewster company, like the "strikers," wanted to go on making Navy planes. Yet clearly the Navy, having decided that it no longer needed the output of this particular plant, was right to cancel the contract.

Here is a sample of the situation we shall face on a much larger scale after the defeat of Germany. Contracts will have to be canceled promptly in many fields.

But the Army or Navy will necessarily make their decisions solely on the basis of wartime considerations. We need an agency which will see demobilization as a whole and relate the policies which govern it to peace as well as war.

Such agency is contemplated in the revised Murray-George bill in the Senate. Congress should see to it that the agency is established and that it acts boldly, not only to speed reconversion of individual plants, but to secure the smoothest possible transition for the national economy as a whole.

[Post, Washington, D. C., June 4, 1944]

After the Event

The War Production Board is now working feverishly on plans to provide stop-gap work for Brewster's Long Island plant until July 1 and subsequently to turn its facilities to the production of other war or civilian items. After months of public discussion of reconversion problems and appeals, official and unofficial, urging procurement agencies to prepare well in advance to meet the emergency of contract cancelation, it was a decided shock to discover that the Navy had suddenly canceled its contracts with Brewster and compelled the company to dismiss thousands of workers on a few days' notice. The belated attempts of the War Production Board to avert a complete shut-down of the Brewster plants indicate that it, too, was caught unawares. The incident reveals a deplorable lack of cooperation between the military and the civilian production planning agencies of the Government.

Current efforts to deal with this particular reconversion problem after the event, under pressure of criticism, are likely to result in waste of manpower and materials owing to hasty improvisation. Moreover, serious impairment of worker morale is threatened by the conspicuous lack in this instance of any systematic plan for dealing with the human problems incidental to contract cancelation. War workers are entitled to reasonable advance notice in case their services have to be terminated. Obviously that is impossible unless managements dependent upon war contracts are notified well in advance of the Government's intention to cut back or cancel these sustaining contracts.

With some such thought in mind, no doubt, the Truman committee may request the Army and Navy to produce lists of all plants with which contracts are likely to be terminated during the next 6 months. Such information would naturally be subject to revision and some data might have to be held in strict confidence. But if there is to be intelligent advance planning, the procurement agencies ought, as the Baruch report stated, to inform the War Production Board of impending cancelations "as soon as they begin to think of them," so that the War Production Board and other civilian agencies "can be properly attuned for swift action when decisions are made." The Baruch report adds that the policies governing choices as to which contracts are to be canceled and which left in operation should be worked out in advance by the War Production Board. Finally, the report recommends that actual choices be made in general by the procurement agencies after full consultation with the War Production Board "or such unit of it as is set up to integrate its work with that of the War Manpower Commission and other interested agencies." The surprise methods employed by the Navy in canceling the Brewster contracts do violence to every one of these sensible recommendations. The furor caused by the resultant labor dislocations will have served a good purpose if it results in a reform of cancelation procedure in conformity with the sound principles that are the professed objectives of policy.

[Sentinel, Grand Junction, Colo., June 4, 1944]

A faint idea of the economic disaster that would overtake our Nation, should all war production suddenly and simultaneously come to an end, may be gleaned by the disruption attending the Navy's sudden cancelation of plane contracts with the Brewster Aeronautical Corporation. Without warning, this production was ordered stopped by the Navy, leaving the company wholly unprepared to continue operation and obviously throwing its employees out of work. The very evident concern of the Government over this situation and the President's request that, if possible, other Government contracts be immediately placed with the company indicates a realization of the serious results that might flow were the Navy's action in this instance to become common procedure. A joint contract termination board was established some time ago, within the Office of War Mobilization, to handle such situations as this one, but apparently there was lack of consultation and cooperation somewhere along the line, else the Brewster plant emergency could have been averted.

[News, Chicago, Ill., June 5, 1944]

The Brewster Lesson

The sudden sit-down strike by 5,000 Brewster Aeronautical Corporation employees, and the eventual settlement of that ugly situation, is a sobering commentary on how we are muddling into our first big post-war problem, conversion to civilian production. The Brewster plant is the first privately owned factory to be cleaned out of war work.

We need not dwell too long on the reasons behind the cancelation of the war contract at the Long Island (N. Y.) plant of this company. Suffice to say that the Navy announcement 10 days ago that it was curtailing its fighter production was a hint of the Brewster cancelation. The Navy evidently doesn't want the Brewster planes because losses in fighter planes have been less than the estimates, and the curtailment of Brewster output will not result in any over-all reduction in the Navy's 1944 goal of 37,000 planes.

Under the circumstances, what explanation is there for the sudden promise by Charles E. Wilson, Vice Chairman of the War Production Board, that "an effort" will be made to keep the Brewster plant in operation by allowing it "to produce parts for two other firms making Navy Corsair fighters?" Is it possible that the War Production Board was forced into such action by the sit-down strike? Are we going to witness this same unhappy pattern spreading widely, as final war contract cancelations become more numerous and officials are unprepared for a shift to civilian production?

It is obvious that no producer can resume civilian production and put men to work unless two things are available: (1) a release of capital tied up in military inventories, and (2) quick clearance of Government machinery out of plants so that peacetime goods may be produced. These two requirements are at the heart of any sound post-war conversion plan. Do we have them?

So far, the Senate has passed the Murray-George bill, but it still languishes in the House. The bill would permit the Army, Navy, Maritime Commission, and others to negotiate final and conclusive settlements and make speedy advance payments on settlement up to 100 percent of the amount due on completed war items, and 90 percent of the cost of work done on unfinished articles, plus a reasonable allowance for overhead. These agencies also would have wide authority to make loans to contractors while settlements are pending or to guarantee loans made by commercial banks. This would release capital quickly.

Dovetailing with this legislation is the machinery being set up by Will L. Clayton and his Surplus War Property Administration for the disposal of Government-owned surpluses. The basic rule laid down by Clayton early last month was this: "Quick clearance of plants for resumption of war production or essential civilian production as soon as possible after termination of a contract."

Both the Murray-George bill and the rules laid down by Will L. Clayton are sound, but must we wait until sit-down strikes are widespread before putting such legislation and rules into effect? The grandiose schemes for lifting national income, employment, and production to new levels will all be wasted if manufacturers' capital remains tied up in tanks and guns and other war goods, while their factory space is taken up with war machinery. Why not meet these problems before real trouble starts?

[Herald, Miami, Fla., June 5, 1944]

Brewster as Capsule

The short stay-in demonstration by workers at the Brewster Aeronautical Corporation's Long Island City plant is a capsule sample of one of the toughest problems that will face the country in the months to come. The Navy had abruptly terminated Brewster's Corsair fighter plane contract. Employees stayed in at the plant in protest until they received Presidential assurance that a search for new jobs would be made.

Well and good this time, but what of the next? What of the time when cut-backs will come in increasing volume? And of the point when whole factories will become idle all over the country? Then one of the most basic meanings of the word "post-war" will become only too clear.

It is of the essence that the moment the need for war goods tapers off, plans be ready for reconversion to the products of peace.

[Evening Post, New York City, June 6, 1944]

Labor News and Comment—United States Heads Off a Rush By Post-war Job Seekers

(By Victor Riesel)

Behind the Government's sudden decision to control the hiring of men over 17 appears to be the fear that a labor panic will be started by the rapidly approaching cancelation of contracts with companies producing only war material.

One of the Government's highest officials told friends recently that the panic will result in the hysterical desertion of war plants by many thousands of workers seeking jobs in some industry with a post-war future.

The short stay-in siege at Brewster here last week was just a peaceful sign of things to come if the armed services continue their sudden cut-backs.

For the factory hands, repetition of Brewster means the overnight disappearance of jobs, seniority rights, and good pay.

For labor officials, it means the disappearance of their unions —which have been playing important political and social roles in many arsenal cities.

Labor and Government officials are watching the west coast Douglas plant which is producing A–20 Havoc planes. The Army has announced that it will stop making the Havocs and that Douglas must reconvert for the production of another model—if it's needed. This will mean at least a 6-month lay-off of some 10,000 workers.

The Bell Aircraft Corporation will soon reduce production of its new high-altitude figher, it has been officially disclosed.

Last week Detroit workers were alarmed by the Ford Co's. decision to close the Willow Run plant Decoration Day week end because it was ahead of schedule. If Willow Run were to shut down during the next year some 50,000 persons would be out of jobs and one of the Congress of Industrial Organizations' strongest local unions would virtually disappear.

Washington officials are hinting that aircraft production will be cut about 20 percent within the next 6 months. And there are about 10 subcontracts for every prime war contract.

A general 20 percent cut may throw some 2,000,000 war workers out of their jobs—and set them on the way to new ones paying far less. The Brewster workers, for example, were offered places at 20 cents to 40 cents an hour less than they had been paid.

The iron and steel industry has added some 500,000 war workers to its normal peacetime employees; the machine trades have taken on 1,000,000 new workers; the chemical industry, 300,000; the aircraft industry, 1,000,000; shipbuilding, 1,000,000; automobile factories, 250,000; food trades, 250,000—and the Government has several hundred thousand in addition to the armed services.

Labor leaders are making no secret of their decision to keep these people at work.

The country should expect an immediate resourceful—and exciting—campaign by national union leaders in behalf of the millions who follow them.

[Eagle, Wichita, Kans., June 6, 1944]

Coming Cut-Backs

What the Brewster sit-in strike episode seems to have touched off is a realization of the fact that America is pretty well armed in most categories and that all arms-producing cities face adjustments downward of production contracts with the Government. Both the Army and the Navy are moving toward cut-backs in military-plane production. There will be some revision downward of total output of warplanes this year. Many contracts probably will be canceled next year. The country is going to need soon only replacements of planes lost in action and training. The urge and the need to produce gigantic totals approaching 10,000 airplanes per month are fading.

The Brewster incident has excited considerably everybody connected with the aircraft industry and many others. A congressional committee has the matter in hand. It is conceded that there is a general lack of preparation for contract cut-backs and that planning is imperative. Nothing must be allowed to interrupt the flow of war supplies to the armed forces but at the same time it is necessary to see that industry is not disrupted by lack of work in the midst of hard military campaigns.

Congress is to see what can be done to allocate materials to war plants that are about to undergo military production cut-backs. These materials could be used in manufacturing civilian goods if the proper plans had been drawn. Wichita has the utmost interest in such plans as a means of preserving the continuity of the industrial effort here.

[Gazette, Reno, Nev., June 7, 1944]

"Stay-In" Demonstrations

Recent action of workers in the Brewster Aeronautical Corporation plants in conducting a stay-in demonstration against Navy cancelation of the company's contract for Corsair fighting planes has focused attention upon the termination problem which is going to face many companies and hundreds of thousands of workers as the war progresses and when it ends.

The action of the Brewster employees was not directed against the management of the company, but against the suddenness with which the production schedule of the company was ended.

The Brewster case, in its entirety, is hardly a fair one on which to judge termination action, for Brewster has been a notoriously troublesome spot in naval plane production. Manufacturing schedules were not attained in the early months, and after a multitude of union-management troubles, Henry Kaiser was called in to try and get the plants going. Progress was made under the Kaiser management, but the Navy still looked upon Brewster as a high-cost production plant.

It is interesting to note that during one of the shifts of the stay-in demonstration, workers in Brewster's Johnsville plant on Long Island established a new production record by doubling the output of assembled planes. But this record came too late to influence the Navy's decision.

Jobs are available for the Brewster workers. Other war plants can use the 3,500 workers, but they may not be able to earn the same wages which they received in the airplane factory.

But the over-all problem which faces the Army, Navy, and the War Production Board is the establishment of a program of termination which will be fair to the men and women who have been producing war materials and to the companies engaged in this production.

[Times-Picayune, New Orleans, La., June 8, 1944]

One reason why the Navy, in cutting back its fighter-plane production, canceled its contracts with the Brewster Aeronautical Corporation was that the cost of producing planes at the plants of this company was somewhat higher than at other plants. Of the 12,500 workers put out of jobs, about 8,000 apparently have decided to stay around and work for nothing in the hope some other war work will be assigned the corporation. The United States Employment Service should be able to point out the advantages of taking some of the thousands of jobs now open in labor-shortage areas. Many of the workers came from other parts of the country to begin with.

[Advocate, Stamford, Conn., June 8, 1944]

When Things Happen Fast

Our industrial leaders are loaded with responsibilities in a time when things happen fast. Many of them perhaps do not realize the extent to which they can be prepared to take advantage of changing situations. The stay-in strike at the Brewster plant the other day should have been a bombshell warning to

all industrial leaders, both those who are in charge of big businesses and those who are in charge of smaller businesses, that when trouble comes they must be ready to minimize the damage. It is untrue that coming events cast their shadows before. It is true, however, that coming events have their parallels in what has already transpired so that fairly accurate forecasts are possible.

Some industrial leaders, reading about post-war policies, seem to think that only governments should worry themselves as to planning and preparations. In the first place, the Government activities have to be dovetailed into the activities of its citizenship, and there is much chance for action at cross purposes if the industrial leaders do not cooperate. In the second place, those in charge of Government agencies often are ambitious for their agencies and attempt too much. Better results are obtained if the industrial leaders are well-enough informed to meet their own situations.

Not only are men in the services already coming back and demanding their former jobs, but war contracts are already coming to an end. There will be problems of conversion to civilian production. Those in charge of industrial plants must have inventories of their personnel: Those who are prepared for sudden shifts will save headaches when the sudden changes some.

These changes, after all, follow certain patterns that can be foreseen. Fortunately most of the industries in Stamford are seeing that they will solve their individual problems better if they have been pooling their information and are in a position to show a united front in tackling the problems. There are some, however, who do not seem to realize that if the industries are not prepared to act, the Government will try to take the entire job over.

[Washington Post, Washington, D. C., July 9, 1944]

Revolt in the War Production Board

On June 17 Donald M. Nelson wrote the orders which would have readied the country for reconversion to peacetime employment. He was supported by the War Production Board, of which he is Chairman. The Truman committee was in hearty concurrence. As a result of those orders, which included safeguards for materials of which the armed services are short, the plans were to go into effect by July 1. Nothing, however, has been done. Now it is understood that while Mr. Nelson was on his sickbed his recommendations were sidetracked. The old question arises as to the person or persons who have the authority to override Mr. Nelson. Certainly there is nothing in the Executive order setting up the War Production Board to warrant any interference. The country had demanded that one man be given sole responsibility for the over-all management of the American economy. President Roosevelt, in his Executive order of January 17, 1942, acquiesced by giving the job to Mr. Nelson. To be sure, he appointed a board, but the board is empowered only to give Mr. Nelson "advice and assistance." All policies, plans, procedures, and methods lie strictly within the determination of Mr. Nelson, and nobody else.

The nub of the controversy within the War Production Board is the timing of the reconversion program. The armed services which, inside and outside the War Production Board, led the fight against it, feel that the entire economy should be kept mobilized till the Nazis have been defeated. Mr. Nelson, who has always put and still does put war demands first, agreed that reconversion steps should await D-day. But, D-day having come and gone, the War Production Board Chairman feels that it might be fatal to permit any further delay. He cannot have come to this decision without the benefit of both reflection and expert counsel. If he assumes that the Nazis will be overwhelmed by the fall, he is supported by the best military judgment. Even Mr. Churchill, who has hitherto been leaning over backward in his prognostications, has become optimistic. The War Production Board itself is hard put to it to dissuade its staff, including the Executive Vice President, Charles E. Wilson, from getting back to their own peacetime jobs. In these circumstances Mr. Nelson would be untrue to his trust to procrastinate. For his trust is over-all. The military, whose influence has always been undue at the War Production Board, can think only of their own requirements. Till the last shot is fired, they are averse to the demobilization of anything. A great Secretary of State once said that if you put the military in charge of national policy-making, they would fortify the moon. But Mr. Nelson's task is to think of both military and civilian requirements

which are mutually interdependent. He is in the role of umpire between claimants for the fruits of the national economy. In his present decision he knew that timing is far more of the essence than policy. If he waits too long, cutbacks from the military authorities may overwhelm him and there would be a kind of economic Pearl Harbor.

In this dispute the military find themselves backed by many industrialists, especially in big business. They have a plausible argument. They feel that it is unfair to let some plants convert and not others. They ask for an "even start." However, the quest for this kind of perfectionism would menace the country with a vacuum in activity at the end of hostilities which would involve widespread joblessness and consequent unrest. The "even starters" do not seem to think of that prospect in their demand for equity. Inequities there are in plenty in war service, and they cannot be corrected. It would be inequitable to try to be equitable in the treatment of business alone It would, indeed, be quixotic, for the effort would be at the expense of the welfare of the over-all economy.

The fact is, as the Baruch report suggests, that demobilization and reconversion must be a continuous process in order that our economic stability shall be maintained. If, specifically, materials and facilities are available, they should be used in civilian production, and the goal should be the provision of continuous employment. Look at what happened at Brewster's Long Island plant 2 months ago. The Navy suddenly canceled a contract, thousands of men were thrown out of jobs, and the War Production Board had to work feverishly to find substitute work. As we commented on June 4, the incident revealed "a deplorable lack of cooperation between the military and civilian agencies." With that lesson in mind, are we going to have a Nation-wide Brewster scandal? The perpetuation of the discord at the War Production Board is evidence that that might happen. If it does, we may find that, while we have won the war, we shall have lost the peace. Mr. Nelson's hand should be upheld, not only because of the authority that has been given to him but also because he sees this situation as a whole. X-day must be met as triumphantly as D-day was, and it can be done only by preparing now for peace.

[News, Wilmington, Del., June 9, 1944]

No Time to Lose

It is now nearly 4 full months since Bernard M. Baruch and John M. Hancock presented their report on war and post-war adjustment policies. Their detailed recommendations were hailed in and out of Congress as an excellent basis for making the difficult transition from a war to a peace economy. But despite this widespread approval and despite the fact that the report stressed the urgent necessity of speedy action, little has been done to put the recommendations into effect.

Of the entire reconversion program proposed last February 15 only the contract terminations bill has gotten anywhere in Congress. This particular measure has passed the Senate and is scheduled to pass the House soon. But the bill to cover the disposal of surplus property reached Congress only a few days ago and the measure to create a mobilization and demobilization office is still in the hands of a Senate subcommittee.

The crucial need for machinery to provide for a smooth and efficient reconversion may be upon us sooner than we think. What happened recently at the Brewster Aeronautical Corporation plant, when the Navy suddenly canceled a contract for planes no longer needed, is an example of what can be expected from now on.

Congress and the executive agencies charged with war production cannot afford to wait until the defeat of Germany to get this machinery functioning any more than General Eisenhower could afford to wait until the day before D-day to lay his plans for the invasion. Everything must be ready before the crisis is upon us. There is no time to waste if the reconversion program is to be in working order before a sudden flood of contract terminations swamps us in hundreds of darkened factories with millions of idle workers.

[Star-Telegram, Fort Worth, Tex., June 9, 1944]

Brewster Workers

The Government is planning to provide useful war work for the 5,550 employees of the Brewster aircraft plant at Long Island City, after they staged a novel sit-in strike in the factory that was shut down when the Navy terminated its plane contracts with Brewster.

As to whether the idle workers were interested in essential war production or the wages they received may be problematical, but, having been confronted with unemployment, the Brewster employees now may attach the proper value to both. It would not be surprising now if both management and labor overcome the production deficiencies that were so marked previously in Brewster plants.

There has been too much emphasis upon economic security for civilians in this war for the best results in producing the armament and supplies that are vital to our armed forces overseas. Moreover, although organized labor is in the driver's seat in wartime, its status may be drastically altered when a peacetime surplus of workers supplants the present labor shortage.

The sudden jolt for Brewster employees, hence, has its significance to all. It should awaken a universal realization of the importance of war work which extends beyond the boon of good wages and steady employment. Likewise, contract termination is a reminder that workers should invest much of their income in War bonds now as provision for the day when jobs will be not so abundant.

[Intelligencer, Wheeling, W. Va., June 10, 1944]

Reconversion—A Job for Today

The tendering of resignations by Messrs. Baruch and Hancock serves to direct public attention to the urgency of the reconversion problem. And two independent but related developments high light the seriousness of the situation:

First, the invasion;

Second, the sit-in strike of Brewster aircraft workers.

The invasion has focused public attention on reconversion problems. The fact that our troops are actually on the soil of France has convinced most people that the end of the European phase of the war is in sight. We may be badly fooled. Germany may put up a much more stubborn and prolonged resistance than expected. Nevertheless, the public mind is thinking in terms of peace. Peacetime problems, therefore, have much more reality today than they had a week or 2 weeks ago.

In the Brewster case, the employees, in a novel variation of the strike technique, were protesting against cancelation of a contract which threw them out of work. Baruch and Hancock who have offered their resignations in protest against delay in putting a reconversion plan into operation, contend that the shock of the Brewster cancelations would have been greatly reduced if an orderly plan of procedure in such cases had been in effect. It is charged that a bungling attempt is now being made to keep this "high cost" plant at Johnsville, Pa., in operation when the workers were needed and could have been more useful in production elsewhere.

"There are 11,000 important war production jobs for those 9,000 Brewster workers," these officials say, "and the plant should have been shut down months ago."

The closing, according to this theory, should have been accompanied by complete publicity as to reason together with a program for orderly redistribution of the manpower. The present effort to keep Brewster in operation is cited as an example of exactly what the Baruch report warned against in a section entitled: "Stock-piling Trouble."

"Some short-sighted persons will oppose prompt decisions in the hope of continuing unnecessary production," said this portion of the report. "We call them short-sighted because they are only borrowing employment from the future when it will be needed, and using it up in the present when there is more work than all of us can do. * * * It will be stock piling for the future."

It will be recalled that Mr. Baruch and Mr. Hancock prepared and submitted some months ago, at the request of the President, a complete program for the transition of industry from a war to a peace basis. They key was immediate application. The plan was approved by the President and, with some modifications, found general support in Congress. But nothing has been done in the intervening period to put either this plan or any other into operation, a delay which is laid at the door of the War Production Board.

Whether or not the Baruch-Hancock plan is ideal, it was accepted at the time as the best that had been suggested. Nor has any improved plan been developed since. It stands, therefore, as the most generally approved program we have and, it would seem to this newspaper, should be put into operation without delay. The point is that some orderly plan, even if not the best, is superior to no plan at all. Unless something is done to prepare industry for repetitions of the Brewster incident, we may look for something approaching chaos as invasion proceeds, if it develops that less war equipment will be required than at one time seemed likely.

[Washington Daily News, Washington, D. C., June 12, 1944]

Fair Enough

(By Westbrook Pegler)

New York, June 12.—There is a proposal in Congress to pay $20 a week to war-production workers during lay-off, or reconversion periods, and additional grants for their dependents. Aside from the fact that many of these people have been receiving the highest pay of their lives with multiple pay in many families, and were presumed to be saving a portion of it in War bonds for the very purpose of tiding them over the slack period when production tapers off, there is another important issue. That is the injustice of rewarding the undeserving along with those who have worked faithfully and well and the arbitrary equalization of inequality.

Probably the majority of these workers have done as well as they could under the conditions governing their effort. Lack of material has, at times, retarded production, and incompetent and even bad management have been a drag. But there is absolutely no doubt that many who would qualify for recognition and reward out of the Public Treasury and at the future expense of good citizens, including returned fighting men, have earned nothing but contempt. Therefore, in considering any such proposal, Congress should take the muzzles off procurement and selective-service officers of the fighting forces and let them tell the truth of their experiences with loafers and slackers.

The recent sit-in strike of the Brewster plane-factory workers when the plant was about to close, emphasizes a particularly mean case. The Navy itself made a mess of the Brewster project, and the management was bad from the beginning. But, by some psychological freak, this project attracted a large aggregation of ostensible workers bitterly described by an officer of one of the armed services in highly uncomplimentary terms.

When there was work to be done they wouldn't work. When Navy fliers needed planes they stalled their days away, loafing, gossiping, smoking in the rest rooms, whistling out the windows, sleeping on the job, and striking over trivialities. The boss of their union, calling himself De Lorenzo and various other names, defined the Army to draft the bucks among the sordid bums of his loyal personal following, and got away with it because he was making up the recommendations for deferments and presenting them to Selective Service through the company's office.

The evil disposition, personified by De Lorenzo himself, infected others who were extremely sensitive to infection, and the spirit spread throughout the job, employing as many as 20,000 men and women at high wages. Those who might have wanted to do a decent day's work for reasons of personal decency were stopped. This was a rotten plant, and the record of the staff as a whole is a disgrace, deserving not reward but reproach. The loafers even developed a grapevine to pass the word from unit to unit when inspectors dropped in so that the sleepers could be roused.

There is a large printed record of all the evidence in this particular case for the guidance of Congress in deciding on any plan for reconversion pay. Such a plan would call for selection and discrimination lest the slacker be rewarded like the best, but justice demands that the effort be made in all cases. If selection has been fair and feasible in picking men to fight under the draft law, the same system should be used in this new process lest the sentimental word, "equality," be invoked to establish a rule by which the worst share alike with the best.

Brewster is an outrageous case, but it is not the only one.

Who wants to reward the eight rubber-company employees of Akron who were convicted of beating up a worker who refused to reduce his production? The Ohio Supreme Court has told the story in affirming the convictions of the eight on charges of assault and battery. The Supreme Court found that the victim was taken from his machine, hustled to a parking lot, and beaten and kicked, suffering among other injuries a broken jaw.

Why did they do this, these men who would now receive pensions for themselves and families for helping the brave lads overseas to win the war?

In the language of the Supreme Court the injured man's only offense was "a whole-hearted attempt to do a full day's work each day to facilitate the production of war materials."

[Sun, New York City, June 12, 1944]

The Real Motive

Suspicion that termination of the contract with the Brewster Aeronautical Corporation was overdramatized by those workers whose stay-in strike prompted intervention from Washington is not lessened by a report on the labor situation in the New York area filed with the Navy Department's Bureau of Aeronautics. The document holds that there are at least two jobs open in New York for every semiskilled and common laborer at Brewster and five for each skilled laborer, all at comparable rates of pay and working conditions.

The report says that notwithstanding the fact that New York is classified as a group IV labor area, there are 50 plants in the area that have No. 1 labor priority and could absorb at least twice as many employees as are now employed at Brewster. Instead of seeing what other jobs might be available without having to leave their homes, the workers elected to make their demonstration. Rather than go after the work, they wanted the work brought to them. With such aid in job hunting as can be furnished by the United States Employment Service, location of these 50 plants needing help would not be difficult. A change, however, might take many of these workers out from under the wing of the Congress of Industrial Organizations' important United Automobile Workers. That may be the real rub. If so, however, the demonstration should be recognized for what it was and not for what it purported to be—the attempt to keep many workers from being made idle.

[Gazette, Schenectady, N. Y., June 19, 1944]

Reconversion Uncertainties

The recent sit-in strike, which the employees of the Brewster aircraft factories engaged in, is probably the first of the protests of organized labor against the lack of policy of reconversion. Fortunately most companies will not be in the position which faced Brewster when the Navy canceled its contracts; the manufacturers of consumer goods will be ready to take the first steps of conversion as soon as the Government gives them permission to switch from war to regular products. This alone, however, is not going to be the solution to the problem of conversion and continued employment.

Private industry seems well in advance of the Government in meeting the problems. Almost every large company has a post-war planning committee, with subcommittees down through the various departments, getting ready for the day when automobiles, refrigerators, radios, and other products can be manufactured again. If the recent action at Brewster is any indication, the Government has not made any plans. True, the War Manpower Commission moved in immediately to offer jobs to the discharged workers, but the action did not undo the damage of the cancelation of the Navy contract.

Despite the well-organized plans of industry, many of the biggest producers of consumer goods cannnot make definite plans for conversion because of the uncertainties of Government contracts. The continued review of prices on war contracts has already given rise to several difficulties with smaller companies, which maintained they could not continue in business unless the Government left them some money for conversion and resumption of civilian business. The bigger companies probably did not face this difficulty, but there can be no certainty to the plans for conversion if the money which is available is subject to

Government review and court action over a period of years. In the transition period, such uncertainty can further undermine the whole financial structure of the country, which may or may not be the intention of the administration.

The action of the union at Brewster will not help the situation, and the administration will not help the economic rehabilitation of the country by aiding and abetting such union action. When there is no longer need for airplanes, tanks, and guns, there is no reason for manufacturing them. Manufacture of war goods in peacetime can only result in the same sterile economy of Japan and Germany, and it has no place in a capitalistic society.

The brains of the country which were mobilized to convert industry to war production should be utilized for the reconversion; an equitable program for both management and labor can and must be worked out.

[Chronicle, San Francisco, Calif., June 21, 1944]

Cut-backs

It seems strange that the American people must face what the Government describes as a critical shortage of labor for war production and, at the same time, the first symptoms of the labor dislocation and unemployment that is threatened unless post-war antidotes are provided.

The Brewster airplane plant shut-down is the most publicized, through not the only case in which large numbers have been thrown out of work by war contract stoppages.

The Congress of Industrial Organizations, by appointment of representatives of the trades chiefly affected now and in prospect by contract terminations, takes a sensible step. But its potential effect can touch only those functions within reach of the labor organizations. The other factors are beyond their reach. The domestic trade department of the San Francisco Chamber of Commerce has gone exhaustively into the probems involved and has a reasonably workable program laid out. But all such agencies are handicapped if the Army and Navy contract officials pursue cut-back tactics with no relationship to the manpower problems involved.

Donald Nelson, of the War Production Board, told Senate investigators that he is trying to encourage industry to quick reconversion and to such resumptions as now are feasible. Yet at the same time 200,000 men are needed for war industry and Nelson said he will not hesitate to cancel any civilian production activity that gets in the way.

War production and peace reconversion are more and more clearly being disclosed as two factors of one industrial program. Cut-backs are samples of the complexity to be met when the war industrial machine finally comes to a peace stoppage. The tests to date are not encouraging. The Army and Navy contract officials must be brought into smooth cooperation with the whole industrial and manpower program before reconversion plans can be practically advanced.

NEWSPAPER COMMENT AND TELEGRAM CONCERNING CUT-BACK AT BUDD MANUFACTURING CO.

Budd Plane Order Canceled by Navy—Douglas Transports to be Used Instead of Conestogas—Plant May Make Arms

Washington, June 13 (A. P.)—The Navy has canceled its contract for about 175 stainless steel Conestoga cargo-carrying planes manufactured by the E. G. Budd Manufacturing Co. of Philadelphia. The cut-back leaves the company only 25 of the original total of 800 planes scheduled to be produced, since the Army recently canceled its contract for 600 Conestogas.

Naval spokesmen said that the Army was expected to provide war work in the Budd plants which would avert unemployment for several thousand workers there. It was expected that 1 to 4 months would be required to convert the plants to munitions production. Representatives of the company and of labor will be invited to Washington to discuss the situation with the War Manpower Commission.

The Navy's need for cargo transports, it was explained, will be met with lower-cost Douglas transport planes now available from the large-scale Douglas production for the Army.

The Navy said that the Budd Conestoga production "lagged seriously, only four having been delivered to date." It added that production costs were "substantially more than the company's original estimates."

The Navy continued that the need for the new type Conestoga plane, "as yet untried in actual service, has decreased due to delay of over a year in deliveries.

"No further need now exists," the Navy said, "since it has just become possible for the Army to make available to the Navy the Douglas transports, which are of substantially lower cost than the Conestoga, have been in large-scale production for some time, and have proved their worth as transports in operation all over the world."

The design of the twin-engined Conestoga was originally developed by the Defense Supplies Corporation, which was interested in obtaining cargo planes for use in South America. The Navy said it was understood that the Defense Supplies Corporation "is currently undecided as to its need for the planes."

TELEGRAM ADDRESSED TO SENATOR MURRAY BY CHARLES JERRIGAN, REGIONAL DIRECTOR, UNITED AUTOMOBILE WORKERS, CONGRESS OF INDUSTRIAL ORGANIZATIONS, NEW YORK CITY

JUNE 14, 1944.

SENATOR MURRAY:

United Automobile Workers, Congress of Industrial Organizations protest cut-backs in Navy order at Budd Manufacturing Co. without any previous notice. Unplanned hasty action causing demoralization among thousands of workers and loss of precious man-hours. Request investigation by your committee of underlying causes.

CHARLES JERRIGAN.

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Columbia University
NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination," and in Parts 1 to 9 entitled "Mobilization and Demobilization Problems")

HEARINGS

BEFORE THE

COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1730

A BILL TO CREATE AN OFFICE OF DEMOBILIZATION, ESTABLISH GENERAL POLICIES FOR THE OPERATION OF THAT OFFICE, PROVIDE FOR THE SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS, PROVIDE FOR THE DISPOSAL OF SURPLUS GOVERNMENT PROPERTY, AND FOR OTHER PURPOSES

S. 1893

(Supersedes S. 1823)

A BILL TO PROVIDE FOR THE ESTABLISHMENT OF AN OFFICE OF WAR MOBILIZATION AND ADJUSTMENT, AND FOR OTHER PURPOSES

S. 2061

A BILL TO PROVIDE A NATIONAL PROGRAM FOR WAR MOBILIZATION AND POST-WAR ADJUSTMENT

PART 10

AUGUST 3 AND 4, 1944

Printed for the use of the Committee on Military Affairs

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

THURSDAY, AUGUST 3, 1944

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

EXECUTIVE SESSION

The committee met, pursuant to call, at 10 a. m., in the committee room of the Committee on Military Affairs, United States Capitol, Senator Robert R. Reynolds (chairman) presiding.

Present Senators Reynolds (chairman), Johnson, Hill, Kilgore, Murray, Austin, Gurney, and Revercomb; also Senator Taft.

Also present: Members of the staffs of the committee and the Kilgore and Murray subcommittees.

The CHAIRMAN. Gentlemen, we have the honor and pleasure to have with us this morning our distinguished colleague, the Senator from Ohio, Senator Taft.

STATEMENT OF SENATOR ROBERT A. TAFT, OF OHIO

Senator TAFT. Senator, I came down here on the surplus property bill, which the Small Business Committee was working. Senator Stewart is chairman of the subcommittee. Unfortunately, he will not be here until tomorrow. The bill will be in shape by Monday certainly. It covers only the question of disposition of surplus property. It has been quite carefully worked out. In your consideration of the other bills—I think you have about four—this one should receive careful consideration because I think it is worked out very well. I think it defers from the others, I am not quite certain. There is a preliminary report of the subcommittee which contains a draft of the bill, but there are a number of revisions that should be made which we have discussed. I would rather not present the bill in quite its present form, but it will be ready certainly by Monday.

The CHAIRMAN. All right, Senator.

Senator MURRAY. The surplus property bill which the Senator has mentioned has been given very considerable study, but it requires some further work, and I think we will have it ready by Monday. I think the surplus-property matter should not be taken up until that time, to give us an opportunity to have that bill here.

Senator KILGORE. May I ask a question, Senator? The thing came to my attention, and I wonder if you have given it consideration. The cities were highly discriminated against in that they could only purchase property at a 25-percent discount on its initial cost, which in most cases was rather excessive for normal prices, whereas a speculator could get it at 20 or 25 percent of its initial cost and then sell it back to the cities at a handsome profit.

Senator TAFT. This is the provision of that bill:

The Administrator may prescribe regulations providing for the disposition of surplus property to State, municipalities, political subdivisions, and tax-supported institutions as follows:

Surplus property as provided by the Government for classrooms—

etc—

any surplus property may be sold or leased to State, municipalities, political subdivisions, at 50 percent of the sale or lease value thereof, as the case may be.

There was some criticism or discussion of that, as to whether it should not be broadened in some manner. It may be disposed of at 50 percent of whatever the appraised value is.

Senator KILGORE. The point I make is, unless that is the lowest, if it does not sell at that price, then a speculator can buy it at a much cheaper price.

Senator TAFT. I assume you can make your appraisal pretty well down and then it would be 50 percent of that. I thought it ought to be extended to a certain extent to charitable hospitals and private institutions that were established strictly for charitable purposes. Those were some of the matters that we were hoping to amend by the next time. No doubt you have been deceived by letters from all kinds of people, particularly schools, wanting a great deal of the equipment, and so forth, which I think may be perfectly all right in the case of public-supported institutions, and others might have a preference, or something of that kind.

The CHAIRMAN. Senator Kilgore, I understand you have a witness here this morning.

Senator KILGORE. Not until the Murray subcommittee reports. I just asked Mr. Latimer to come in.

The CHAIRMAN. I thought you had a witness here now.

Senator KILGORE. No; I am waiting for the Murray subcommittee report.

The CHAIRMAN. We have a quorum here, gentlemen. I think we might as well begin.

Senator JOHNSON. Begin with what, Mr. Chairman?

The CHAIRMAN. The consideration of the business before us. We have this revised bill of August 3, and I will ask the reporter to insert it in the record at this point.

TEXT OF THE UNNUMBERED BILL, DATED AUGUST 3, 1944, WHICH WAS SUBSEQUENTLY SUBMITTED TO THE SENATE AS S. 2061

[SUBCOMMITTEE PRINT NO. 2, AUGUST 3, 1944]

A BILL To provide a national program for war mobilization and post-war adjustment

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—GENERAL PROVISIONS

SEC. 101. The Congress hereby declares that the objectives of this Act are—

(a) to facilitate maximum war production during the war and to expedite the transition from war to peace;

(b) to achieve full employment, rising standards of living, and effective utilization of the Nation's resources during the period of transition from war to peace, and thereafter; and

(c) to provide for the development of unified plans and projects and adequate machinery to ahieve the foregoing objectives.

SEC. 102. (a) There is hereby established in the Executive Office of the President, the Office of War Mobilization and Adjustment (hereinafter called the "Office"), which shall be headed by the Director of War Mobilization and Adjustment (hereinafter called the "Director"). The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $15,000 per year.

(b) There is hereby established in the Office of War Mobilization and Adjustment a Division of Programs and Projects to be headed by a Deputy Director, who shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $12,000 per year. It shall be the function of the Deputy Director and the Division of Programs and Projects to assist the Director in discharging his responsibilities under subsection (c) of this section.

(c) In addition to any authority which the President may delegate to him, the Director shall, subject to the direction of the President and with the assistance of the Deputy Director—

(1) formulate or cause to be formulated plans to meet the problems of war mobilization and post-war adjustment in such a manner as to achieve the objectives of this Act;

(2) issue such directives on policy, plans, and operations to other Government agencies as may be necessary to carry out, and to coordinate their activities in connection with, such plans, and review the programs and activities of other Government agencies with respect to war mobilization and post-war adjustment. Each Government agency shall carry out the directives of the Director expeditiously and, to the extent necessary therefor, shall modify its operations and procedures and prescribe further regulations with respect thereto. Nothing contained in this section shall be construed as authorizing any activities to carry out any plan formulated under this section which are not within the scope of the powers possessed by the President or the Government agencies under the Constitution or under provisions of law other than this section;

(3) recommend to the Congress appropriate legislation to carry out plans developed by him but not authorized to be carried out under existing law;

(4) evaluate and report on current and projected public and private activities affecting war mobilization and peacetime full production and employment; survey continuously the necessity for additional programs of legislation as will achieve the objectives of this Act; promote and assist in the development of war mobilization and post-war adjustment plans and surveys by other Government agencies; such surveys shall include (without being limited thereto) programs and measures for public works, housing, taxation, industrial and regional development, expansion of foreign trade, social security, and the maintenance of competitive enterprise; develop procedures to inform each Government agency of proposed war mobilization and post-war adjustment plans and proposals related to its work which are being developed or carried out by any other Government agency; and settle controversies between Government agencies in the development and administration of their plans or plans developed by the Director;

(5) make or cause to be made studies which will enable him to determine the need for (A) simplifying, consolidating, or eliminating Government agencies established for purposes of the war emergency, and (B) reestablishing by statute or terminating such agencies as now exist under Executive order only;

(6) institute a specific study of the present functions of the various Government agencies in the field of manpower, and develop a program for reorganizing and consolidating such agencies to the fullest extent practicable in the Department of Labor;

(7) survey continuously all rules, regulations, and orders issued by any Government agency exercising control over manpower, production, or materials, for the purpose of determining whether any such rules, regulations, or orders prevent or hinder the full employment of the Nation's manpower by private employers capable and desirous of resuming, expanding, or initiating production for nonwar use. Whenever the Director determines that any such rule, regulation, or order so prevents or hinders full employment and is not required for the purpose of insuring production for war purposes, he shall direct such Government agency to rescind, modify, or amend such rule, regulation, or order;

(8) consult and cooperate with State and local governments, industry, labor, agriculture and other groups, both national, regional, and local, concerning methods of achieving the objectives of this Act; and

(9) submit reports to the President, the Senate, and the House of Representatives on the first days of January, April, July, and October, on the activities undertaken by him under this Act. Such reports shall summarize and appraise the activities of the various Government agencies in the fields of war mobilization and post-war adjustment, and may include such legislative proposals as he may deem necessary or desirable.

(d) The Director shall, within the limits of funds which may be made available, employ and fix the compensation of such Assistant Directors and other officers and employees, and may make such expenditures for supplies, facilities, and services as may be necessary to carry out his functions and the functions of the Office. To the fullest extent practicable, the Director shall perform the duties imposed upon him through the facilities and personnel of other Government agencies. The Director may require such reports and information from other Government agencies as he deems necessary to enable him to carry out his functions under this Act, and each Government agency shall furnish any information and reports so required.

SEC. 103. (a) There is hereby created a National Production-Employment Board (hereinafter in this title called the "Board"), the members of which shall be appointed by the President, by and with the advice and consent of the Senate, and which shall include three representatives of industry, three representatives of labor, three representatives of agriculture, and one public member who shall be Chairman. An alternate for each member of the Board other than the Chairman shall be appointed by the President, by and with the advice and consent of the Senate, to sit and act for such member when authorized by such member to sit and act for him. The Board shall, by a majority vote of its members, determine the rules of its procedure, except as otherwise defined by this Act, and the powers conferred on the Board by this Act may be exercised by a majority vote.

(b) It shall be the general function of the Board to review the programs and activities of the Director and other Government agencies with respect to war mobilization and post-war adjustment and make to the President, the Congress, and the Director such recommendations relating to legislation, policies, and procedures as it may deem necessary to achieve the objectives of this Act.

(c) The Deputy Director shall serve as the executive secretary of the Board. He shall prepare, upon request of the Board, such reviews of plans, reports, and studies, and shall secure for the Board and each individual member thereof such other information from the Director or any other Government agency, as may be necessary to enable the Board to discharge its functions under this Act.

(d) The Director, the Chairman of the War Production Board, and such other Federal officials performing functions subject to direction by the Office, as shall be designated by the Board, shall meet with it at least once a month and shall consult and advise with it on all basic policies and programs which are subject to direction by the Office.

(e) All Federal agencies performing functions subject to the jurisdiction of the Office shall, with respect to policies, programs, and operations affecting industrial segments or geographical areas, consult and advise with joint councils which shall be representative, in the particular area or industrial segment, of industry, large and small, labor, and wherever appropriate, agriculture. All such industrial segment or area joint councils shall be appointed by the Director, with the advise and consent of the Board.

(f) All appointments of members or alternates to the Board, and of members of the area and industry to the joint councils, may be made without regard to any of the provisions of law with respect to the appointment and compensation of employees of the United States. Members and alternates of the Board and of the joint advisory councils shall serve without remuneration, except for per diem allowances as shall be prescribed by the Director, not to exceed $25 each day spent in the actual performance of duty, plus necessary traveling and other expenses incurred while so engaged.

(g) The Executive Secretary of the Board, through the facilities of the Office, shall provide the Board with an adequate technical and clerical staff.

SEC. 104. (a) There is hereby established a Special Joint Committee on Mobilization and Adjustment (hereinafter referred to as the "committee") to be composed of four Members of the Senate (not more than two of whom shall be members of the majority party) to be appointed by the President of the Senate, and four Members of the House of Representatives (not more than two of whom shall be members of the majority party) to be appointed by the Speaker of the House of Representatives. Vacancies in the membership of the committee shall not affect the power of the remaining members to execute the functions of the committee, and shall be filled in the same manner as in the case of the original selection. The committee shall select a chairman and a vice chairman from among its members. The committee is empowered to appoint and fix the compensation of such experts, consultants, technicians, and clerical and stenographic assistants as it deems necessary and advisable. The committee may utilize such voluntary and uncompensated services as it deems necessary, and is authorized to utilize the services, information, facilities, and personnel of the departments and agencies of the Government. The expenses of the committee shall be paid one-half from the contingent fund of the Senate and one-half from the contingent fund of the House of Representatives upon vouchers signed by the chairman.

(b) It shall be the function of the committee—

(1) to make a full and complete study and investigation with regard to legislation on war mobilization and post-war adjustment in cooperation with such public and private agencies and such persons as it might see fit to consult;

(2) to consult with the President and the Director on the need for legislation on war mobilization and post-war adjustment;

(3) to consult with the appropriate standing committees in the Senate and in the House of Representatives on the preparation of war mobilization and post-war adjustment legislation, and on methods of obtaining expeditious action on war mobilization and post-war adjustment legislation by achieving coordination among, and avoiding duplication of effort between, such committees; and

(4) to study and review each report submitted to the Congress by the Director, and otherwise maintain continuous surveillance of the operations of the Director and other Government agencies under this Act.

TITLE II—INDUSTRIAL DEMOBILIZATION AND RECONVERSION

SEC. 201. Subject to the provisions of this Act, any contracting agency shall terminate contracts for war production whenever in the opinion of the agency the performance under such contracts will not be needed for the prosecution of the war, and shall not continue performance under such contracts merely for the purpose of providing business and employment, or for any purposes other than the prosecution of the war, unless the continuation of some or all of the work under any such contract will benefit the Government or is necessary to avoid substantial injury to the plant or property.

SEC. 202. Curtailments of war production or terminations of war contracts shall be integrated and synchronized with the expansion, resumption, or initiation of production for other war purposes, and, to the greatest extent compatible with the effective prosecution of the war, of production for nonwar use. To effectuate this policy—

(a) the contracting agencies shall continuously survey their product and material requirements and report to the Chairman of the War Production Board, in such form and detail as he may determine, on current and anticipated changes in requirements and on all anticipated curtailments of war production or terminations of war contracts.

(b) the War Production Board and other Government agencies exercising control over manpower, production, or materials shall permit the expansion, resumption, or initiation of production for nonwar use whenever such production does not require materials, components, facilities, or labor needed for war purposes, or will not otherwise adversely affect or interfere with the production for war purposes. Permission to produce any item or group of items for non-war use shall not be restricted to plants previously engaged in the production of such item or group of items, and shall not be withheld from any plant for the reason that any other plant is occupied with war contracts and cannot therefore produce such item or group of items for nonwar use at that time.

(c) the Chairman of the War Production Board shall—

(1) establish a Production Adjustment Committee which shall consist of representatives of the Department of War, the Department of the Navy, the Maritime Commission, the Reconstruction Finance Corporation, the Foreign Economic Administration, the War Manpower Commission, the Office of Price Administration, and of the War Production

Board (including the Chairman of the Board of Directors of the Smaller War Plants Corporation, the Vice Chairman for Civilian Requirements, and the Vice Chairman for Labor Production and Manpower Requirements), and such other representatives of Federal agencies as the Director may designate. The Chairman of the War Production Board shall advise and consult with the Production Adjustment Committee with respect to the functions vested in him by this section;

(2) establish policies and procedures, and when deemed necessary by him establish detailed programs, to be followed by the contracting agencies in selecting individual prime contracts or classes of prime contracts for curtailment, nonrenewal, or termination; and, whenever he deems such action necessary, require that the selection of prime contracts or classes of prime contracts for curtailment, nonrenewal, or termination be submitted to him for his approval;

(3) establish policies and procedures providing for full consultation between the contracting agencies and prime contractors and subcontractors with respect to the selection of subcontracts for curtailment, nonrenewal, or termination;

(4) establish policies and procedures for providing war contractors and their employees with notice of curtailments in war production or termination of war contracts as far in advance of curtailment or termination as is feasible and consistent with the national security without permitting unneeded production or performance;

(5) consult with other Government agencies, war contractors and subcontractors, and the representatives of the employees of war contractors, with regard to obtaining the most effective use in other war production or in production for nonwar use of facilities and manpower released through curtailments in war production or terminations of war contracts.

SEC. 203. (a) Whenever the expansion, resumption, or initiation of production for nonwar use is authorized, on a restricted basis, by the War Production Board or any other Government agency having control over manpower, production, or materials, the restrictions imposed shall not be such as to prevent any small plant capable and desirous of participating in such expansion, resumption, or initiation of production for nonwar use from achieving reasonable economies of operations in such production.

(b) Whenever the War Production Board or such other Government agency releases or authorizes the use of any materials, subject to quotas, production schedules, or any other restrictions, for the production of any item or group of items for nonwar use, it shall set aside a percentage of such materials for the exclusive use by small plants for the production of such item or group of items. Such percentage shall be determined by the Chairman of the War Production Board or the head of such other Government agency after giving full consideration to the claims presented by the chairman of the board of directors of the Smaller War Plants Corporation.

In allocating the materials thus set aside among such small plants, the Chairman of the War Production Board or the head of such other Government agency shall follow the criteria, standards, quotas, schedules, or other conditioning factors to be established by the chairman of the board of directors of the Smaller War Plants Corporation and shall prevent any discrimination against such small plants in the sale and delivery of such materials. For the purposes of this title, a small plant means any small business concern engaged primarily in production or manufacturing employing two hundred and fifty wage earners or less. The Chairman of the War Production Board or the head of such other Government agency may agree with the chairman of the board of directors of the Smaller War Plants Corporation that other business concerns may be considered small plants by reason of their relative size in industry.

SEC. 204. The Attorney General is directed to make surveys for the purpose of determining any factors which may tend to eliminate competition, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power in the course of war mobilization and during the period of transition from war to peace and thereafter. The Attorney General shall submit to the Congress within ninety days after the approval of this Act, and at such times thereafter as he deems desirable, reports setting forth the results of such surveys and including recommendations for such legislation as he may deem necessary or desirable.

TITLE III—RETRAINING AND REEMPLOYMENT OF WAR WORKERS AND RETURNING SERVICEMEN

SEC. 301. The Congress hereby declares that the objectives of this title are—

(a) To facilitate the most effective mobilization and maximum utilization of the Nation's manpower in the prosecution of the war;

(b) To maintain maximum employment in the transition from war to peacetime production;

(c) To provide for the coordination of the demobilization of servicemen with employment opportunities under a policy of demobilizing servicemen as rapidly as the military situation permits;

(d) To provide necessary training of ex-servicemen and war workers; and

(e) To provide the necessary economic assistance to returning ex-servicemen and war workers in connection with transfer, training, and reemployment.

SEC. 302. There is hereby created a Retraining and Reemployment Administration to be headed by an Administrator who shall be appointed by the President by and with the advice and consent of the Senate, and who shall receive a compensation of $12,000 per annum. It shall be the function of the Administrator of the Retraining and Reemployment Administration (hereinafter referred to as the Work Administrator), subject to the discretion and control of the Director, to establish a unified reemployment program covering recruitment, training, transfer, and placement of returning servicemen and workers in war and civilian production. The reemployment program shall include provision for compiling full detail on declining and increasing employment opportunities (by industrial segments, geographic areas, and plants) resulting from curtailment in war production and resumption of civilian production; for placement of workers in appropriate employment; and for interim financing of workers, including returning servicemen, pending placement in accordance with the authority of this title. The Work Administrator shall prescribe regulations and issue directives to Federal agencies necessary to effectuate the objectives of this title and all such Federal agencies shall be governed by these.

SEC. 303. The Work Administrator shall consult and advise with a Committee on Retraining and Reemployment, consisting of one representative from each of the following: Department of Labor, Veterans' Administration, War Manpower Commission (for the War Manpower Commission and the Federal Security Agency), War Production Board, Selective Service System, Civil Service Commission, War Department, Navy Department, and such other Federal agencies as the Work Administrator may designate.

SEC. 304. (a) The War Production Board and other agencies having data on production changes and employment opportunities shall furnish the Work Administrator full information on current and projected schedules of military and civilian production in such detail as the Work Administrator shall deem necessary.

(d) The Director of Selective Service, with the assistance of the War and Navy Departments, shall furnish data on current and projected rates of discharge of servicemen providing such details concerning the servicemen as the Work Administrator may deem necessary and is practicable for the Selective Service and the War and Navy Departments to furnish. It shall be the duty of the War and Navy Departments to anticipate so far as practicable, the forward programs of demobilization of servicemen, and to cooperate with the Director of the Selective Service System and the Work Administrator in furnishing full data on such demobilization.

SEC. 305. The Work Administrator may perform the functions and exercise the powers, authority, and discretion conferred on him by this Act through such officials and such agencies and in such manner as the Work Administrator, subject to the provisions of this Act, may determine. In carrying out the purposes of this Act, the Administration may utilize the services of any other Government agency.

SEC. 306. (a) In order to facilitate the recruitment, training, transfer, and placement of workers and ex-servicemen, the Work Administrator is hereby authorized to pay the cost of transportation of workers and ex-servicemen, including transportation of dependents and household effects, from their last previous residence to new jobs, in accordance with such regulations as may be prescribed by the Work Administrator: *Provided*, That such transportation allowances shall not exceed the allowances provided for Government employees in the Standard Government Traveling Regulations, as approved by the President.

(b) The United States Employment Service shall be continued as a nationally operated system of public employment offices for a period of two years after the termination of hostilities as proclaimed by the President or by concurrent resolution of the Congress.

SEC. 307. (a) Whenever he deems it necessary, in order to give effect to the objectives of this title, the Work Administrator is authorized to provide to any person vocational free education or training, of not more than six months of full-time study or its equivalent in part-time study in addition to any free education or training now provided by law.

(b) Every person, while he is receiving vocational education or training on a full-time basis, shall be entitled to receive a maintenance allowance at the rate of $50 a month if he has no dependent, $75 if he has one dependent, and $100 if he has two or more dependents. The Work Administrator may provide for maintenance allowances, under such conditions and in such amounts as may be prescribed by regulations, to servicemen and civilian workers receiving education or training on a part-time basis; but no such allowance shall be paid to any person receiving training on the job.

(c) The Work Administrator shall from time to time make available information respecting the need for general education and for trained personnel in the various trades, crafts, and professions. He shall make educational and vocational guidance generally available.

SEC. 308. Section 2 of the Mustering-Out Payment Act of 1944 is amended to read as follows:

"SEC. 2. Mustering-out payment for persons eligible under section 1 shall be made in equal monthly installments. The first installment shall be paid at the time of final discharge or ultimate relief from active service, and the remaining installments shall be paid in successive months thereafter. Each installment shall be at the rate of $100 if the member of the armed forces has no dependent, $125 if he has one dependent, and $150 if he has two or more dependents. All persons shall be entitled to two installments plus an additional installment for each year of active service or major fraction thereof. Any person who has served outside the continental limits of the United States or in Alaska shall be entitled to a further additional installment."

SEC. 409. (a) Every unemployed qualified employee (as defined in section 410) shall be entitled, upon registration with a public employment office designated by the Work Administrator, to placement in suitable employment.

(b) "Interim placement benefits" shall be paid to any qualified employee (as defined in section 410) with respect to each week of unemployment or part week of unemployment occurring during the period beginning the third calendar month after the date of enactment hereof and ending with the last day of the twenty-fourth calendar month following the termination of war: *Provided*, That, for a person who is an ex-serviceman, benefits shall accrue for unemployment occurring in the twenty-fourth calendar months after his discharge or release from military service, if such twenty-four calendar months shall end subsequent to the twenty-four calendar months following the termination of the war. For a qualified employee the "interim placement benefit" payable for a week of unemployment in any benefit year shall be the amount appearing in the following table in column II on the line on which, in column I, appears the compensation range containing the total amount of wages payable to him with respect to employment in his base year:

COLUMN I Total wages in base year	COLUMN II Weekly benefit rate
$150 to $299.99	$12
$300 to $599.99	15
$600 to $899.99	18
$900 to $1,999.99	21
$1,200 to $1,499.99	24
$1,500 to $1,799.99	27
$1,800 to $2,099.99	30
$2,100 to $2,399.99	33
$2,400 and over	35

Provided, That for a qualified employee who is an ex-serviceman ,the "interim placement benefit" payable for a week of unemployment shall be not less than $20 if such ex-serviceman has no dependent, $25 if he has one dependent, $30 if he has two dependents, and $35 if he has three or more dependents: *And provided further*, That the benefit rate of a qualified employee in any benefit year shall be not less than the rate established in the first benefit year for such employee.

The "interim placement benefit" payable for a part week of unemployment in any benefit year shall be one-fifth of the benefit for a week of unemployment

multiplied by the number of days of unemployment in excess of two in such week;

(c) There shall not be considered as a day of unemployment, with respect to any employee—

(i) any day on which he fails to maintain, in accordance with regulations prescribed by the Work Administrator, a registration at a public employment office;

(ii) any Sunday not preceded by a day of unemployment and unless it be the last day of a week of unemployment or a part week of unemployment, not followed by a day of unemployment; and

(iii) any day in any period with respect to which he is receiving or has received annuity payments or pensions under the Railroad Retirement Act of 1935 or the Railroad Retirement Act of 1937 or insurance benefits under title II of the Social Security Act, or annuities under the Civil Service Retirement Act, or a vocational education or training allowance under this title, or a mustering-out payment, or unemployment benefits under an unemployment compensation law of any State or of the United States: *Provided*, That if any such payment is less in amount than the "interim placement benefits" under this Act which, but for this paragraph, would be payable with respect to such period, the preceding provisions of this paragraph shall not apply but such "interim placement benefits" shall be diminished in the amount of such other payments.

(d) There shall not be considered as a day of unemployment, with respect to any employee, any day in a period of not more than five weeks, beginning with a day with respect to which the Work Administrator finds that—

(i) he failed, without good cause, to accept suitable work available on such day and offered to him or to comply with instructions from a public employment office to apply for such work or to report, in person, or by mail, as directed, to such office;

(ii) he was properly discharged or suspended for misconduct related to his employment;

(iii) he left work voluntarily, without good cause;

(iv) subject to the provisions of subsection (e) of this section, his unemployment was due to a stoppage of work because of a strike in the establishment, premises, or enterprise at which he was last employed;

(v) he knowingly made, or aided in making, or caused to be made any false or fraudulent statement or claim for the purpose of causing benefits to be paid. The length of the periods of disqualification, within the limit of five weeks specified above, with respect to the findings herein set forth shall be fixed by regulations prescribed by the Work Administrator.

(e) The disqualification provided in section 409 (d) (iv) of this Act shall not apply if the Work Administrator finds that—

(i) the employee is not directly interested in the labor dispute which causes the stoppage of work; and

(ii) he does not belong to a grade or class of workers of which, immediately before the commencement of the stoppage, there were members employed in the establishment, premises, or enterprise at which the stoppage occurs, any of whom are directly interested in the labor dispute: *Provided*, That if separate types of work are commonly conducted in separate departments of a single enterprise, each such department shall, for the purposes of this subsection, be deemed to be a separate establishment, enterprise, or other premises.

(f) No work shall be deemed suitable for the purposes of this section, and benefits shall not be denied under this Act to any otherwise qualified employee leaving work voluntarily or for refusing to accept work if—

(1) the position offered is vacant due directly to a strike, lock-out, or other labor dispute;

(2) the remuneration, hours, or other conditions of work offered are substantially less favorable than those prevailing for similar work in the locality, or the rate of remuneration is less than the union wage rate, if any, for similar work in the locality;

(3) as a condition of being employed he would be required to join a company union or to resign from or refrain from joining any bona fide labor organization;

(4) acceptance of the work would require him to engage in activities in violation of law or which, by reason of their being in violation of reasonable requirements of the constitution, bylaws, or similar regulations of a bona fide labor organization of which he is a member, would subject him to expulsion from such labor organization; or

(5) acceptance of the work would subject him to loss of substantial seniority rights under any collective-bargaining agreement between a bona fide labor organization and any other employer.

(g) In determining whether an employee has good cause for a voluntary separation from suitable work or a failure to apply for or accept an offer of suitable work, the Work Administrator shall consider, in addition to such other factors as he deems relevant, (1) the current practice, recognized by management and labor with respect to such work; (2) the degree of risk involved to such employee's health, safety, and morals; (3) his physical fitness and prior training; (4) his experience and prior earnings; (5) his length of unemployment and prospects for securing work in his customary occupation; and (6) the distance of the available work from his residence and from his most recent work.

(h) Any officer or agency of an employer, or any employee representative, or any employee acting in his own behalf, or any person whether or not of the character hereinbefore defined, who shall willfully fail or refuse to make any report or furnish any information required by the Work Administrator in the administration of this title, or who shall knowingly make or aid in making or cause to be made any false or fraudulent statement or report when a statement or report is required to be made for the purposes of this title, or who shall knowingly make or aid in making or cause to be made any false or fraudulent statement or claim for the purpose of causing benefits or other payment to be made or not to be made under this title, shall be punished by a fine of not more than $10,000 or by imprisonment not exceeding one year, or both.

(i) Any person who violates any provision of this title, the punishment for which is not otherwise provided, shall be punished for each such violation by a fine of not more than $1,000 or by imprisonment not exceeding one year, or both.

SEC. 310. (a) A person shall be a "qualified employee" if the Work Administrator finds (i) that he served in the active military or naval service of the United States at any time after September 16, 1940, and prior to the termination of the present war, and had been discharged or released from active service under conditions other than dishonorable or (ii) that since the beginning of the calendar year next preceding the calendar year in which he first applies for "interim placement benefits" and before making such application he received wages of not less than $150.

(b) Within ten days after the appointment of a Work Administrator pursuant to this Act, such Administrator shall afford to each State an opportunity to participate in the administration of the "interim placement benefits" provided by this title. A State shall be permitted to participate upon agreement, pursuant to the authorization contained in the unemployment compensation law of such State to enter into a reciprocal agreement with an appropriate agency of the Federal Government, (i) to receive all claims for "interim placement benefits"; (ii) to adjudicate such claims in accordance with regulations prescribed by the Work Administrator, or forward such claims to another State or Federal agency as may be appropriate; (iii) to pay, subject to partial reimbursement from the Federal Government as hereinafter set forth from funds withdrawn from the State account in the Unemployment Trust Fund, any claim for "interim placement benefits" found payable in accordance with the regulations prescribed by the Work Administrator; and (iv) to find fair and reasonable, and not resulting in substantial loss to the unemployment compensation account of such State, the reimbursement arrangement hereinafter provided for. The Work Administrator shall, whenever a State does not elect to pay "interim placement benefits", or may, wherever he deems it necessary, arrange for the filing of claims for "interim placement benefits" with the Retraining and Reemployment Administration.

The Railroad Retirement Board and the Unemployment Compensation Board of the District of Columbia shall participate in the administration of "interim placement benefits." Such Boards shall receive applications for "interim placement benefits," shall adjudicate such applications in accordance with regulations prescribed by the Work Administrator, or shall forward such applications to a State or Territorial unemployment compensation agency as may be appropriate and shall certify to the Secretary of the Treasury for payment, from the appropriate account in the unemployment Trust Fund, any part of a claim found payable in accordance with regulations prescribed by the Work Administrator.

(c) Claims for benefits and appeals from determinations with respect thereto shall be made in accordance with such regulations as the Work Administrator shall prescribe. The Work Administrator is authorized and directed to make findings of fact with respect to any claim for benefits and to make decisions as to the right of any claimant to benefits. The Work Administrator is further authorized to hold such hearings, to conduct such investigations and other proceedings, and to establish by regulations and otherwise such procedures as he may deem necessary or proper for the determination of a right to benefits.

Each person whose claim for benefits has been denied, in whole or in part upon an initial determination whether by the Retraining and Reemployment Administration, by a State, by the Railroad Retirement Board, or by another Federal agency participating in the administration of "interim placement benefits" by arrangement with the Work Administrator, shall be granted an opportunity for a fair hearing thereon before such appellate tribunal as the Work Administrator may by regulation establish. In the case of any hearing, the appellate tribunal established by the Work Administrator shall notify all parties properly interested of their rights to participate in the proceedings and if a hearing is to be held, the time and place of the hearing. At the request of any party properly interested, the tribunal shall provide for a hearing and may provide for hearing in its own motion.

The Work Administrator may, on his own motion, review a decision of an appeals tribunal on the basis of the evidence previously submitted in such case and may direct the taking of additional evidence, or he may agree to hear the appeal of such parties as he may find properly interested in the proceedings. Unless a review or an appeal is had pursuant to this subsection, the decision of the appellate tribunal shall, subject to such regulations as the Work Administrator may prescribe, be deemed to be his final decision.

If the decision of an appellate tribunal or of the Work Administrator reverses an initial decision denying a claim for "interim placement benefits," such claim shall thereupon be certified by the Work Administrator to the Secretary of the Treasury for payment. If the initial decision was made by a State agency or the Railroad Retirement Board the amount of such payments shall be taken into account in determining the amounts of reimbursement to be paid to any State agency or to the Railroad Unemployment Insurance Account pursuant to subsection (d) of this section.

Final decision of the Work Administrator of the decision of any appellate tribunal shall be communicated to the claimant and to other interested parties within fifteen days after it is made. Any claimant and any labor organization, of which such claimant is a member, duly authorized to represent employees in accordance with the National Labor Relations Act or the Railway Labor Act may, after all administrative remedies made available by the Work Administrator have been availed of and exhausted, obtain a review of any final decision of the Work Administrator by filing a petition for review within ninety days after the mailing of notice of such decision to the claimant, or within such further time as the Work Administrator may allow, in the United States district court for the judicial district in which the claimant resides or in the United States District Court for the District of Columbia. A copy of such petition, together with the initial process, shall forthwith be served upon the Work Administrator or any officer designated by him for such purpose. Service may be made upon the Work Administrator by registered mail, addressed to him. Within fifteen days after receipt of service or within such additional time as the court may allow, the Work Administrator shall certify and file with the court in which such petition has been filed, a transcript of the record upon which the findings and decision complained of are based. Upon such filing the court shall have exclusive jurisdiction of the proceeding and of the question determined therein. It shall have power to enter upon the pleadings and transcript of the record a decree affirming, modifying, or reversing the decision of the Work Administrator with or without remanding the case for rehearing. The findings of the Work Administrator as to the facts, if supported by evidence and in the absence of fraud, shall be conclusive. No additional evidence shall be received by the court, but the court may order additional evidence to be taken before the Work Administrator, and the Work Administrator may, after hearing such additional evidence, modify his findings of fact and conclusions and file such additional or modified findings and conclusions with the court, and the Work Administrator shall file with the court a transcript of the additional record. The judgment and decree of the court shall be final, subject to review as in equity cases.

An applicant for review of a final decision of the Work Administrator concerning a claim for benefits shall not be liable for costs, including costs of service, or costs of printing records, except that costs may be assessed by the court against such applicant if the court determines that the proceedings for such review have been instituted or continued without reasonable ground.

(d) Each participating State agency shall arrange for the payment, from funds withdrawn for such purpose from the unemployment trust fund, of claims for "interim placement benefits" granted in whole or in part, in accordance with the regulations prescribed by the Work Administrator. Each participating State agency, in consultation with the Work Administrator, shall determine what amounts would have been payable under the unemployment compensation law of the State had the claims for "interim placement benefits" been claims made under such State law. The Work Administrator shall from time to time satisfy himself as to the correctness of such determinations. The Work Administrator shall, on each February 1, May 1, August 1, and November 1 certify to the Secretary of the Treasury, for payment into the appropriate State account in the unemployment trust funds, the amount by which the payments of "interim placement benefits" made on certifications of the State agency in the preceding calendar quarter exceeded the payments which would have been made under the unemployment compensation law of the State, if the claims for "interim placement benefits" had been claims for benefits under such State law.

The Railroad Retirement Board shall certify to the Secretary of the Treasury, for payment, such claims for "interim placement benefits" as it finds properly payable hereunder. Such payments shall be made from the Railroad Unemployment Insurance Account. The Railroad Retirement Board shall determine, in consultation with the Work Administrator, what amounts would have been payable under the Railroad Unemployment Insurance Act, if claims for "interim placement benefits" had been filed under such Act. The Work Administrator shall, on each February 1, May 1, August 1, and November 1, certify to the Secretary of the Treasury, for payment into the Railroad Unemployment Insurance Account, the amount by which the payments of "interim placement benefits" made on certifications of the Railroad Retirement Board in the preceding calendar quarter exceeded the payments which would have been made from the Railroad Unemployment Insurance Account had claims for "interim placement benefits" been claims for benefits under the Railroad Unemployment Insurance Act.

The Work Administrator shall certify to the Secretary of the Treasury, for payment, such claims for "interim placement benefits" as he finds properly payable hereunder and which are filed directly with the Retraining and Reemployment Administration.

(e) The Work Administrator shall, from time to time, certify to the Secretary of the Treasury, for payment, to a State or Territorial unemployment compensation agency, to the District of Columbia Unemployment Compensation Board, or to the credit of the Railroad Unemployment Insurance administration fund, such amounts as he determines—

(i) equal to the administrative expenses reasonably incurred by such agency, or the District of Columbia Unemployment Compensation Board, or the Railroad Retirement Board in excess of the expenses which would have been incurred by such agency or Board for the administration of unemployment compensation benefits had this title not been enacted; and

(ii) have not been included in the basis of any previous certification under this paragraph.

The Social Security Board shall continue to make certification to the Secretary of the Treasury under section 302 (a) of the Social Security Act on the basis of determinations by it as to what amounts would be necessary and proper for the efficient administration of each State unemployment compensation law had this title not been enacted.

Subsection (c) of section 303 of the Social Security Act as amended is hereby amended by adding a paragraph to read as follows:

"(3) Until the expiration of title IV of the War Mobilization Adjustment Act of 1944 that such State has failed to permit the Administrator of the Retraining and Reemployment Administration to determine, in accordance with subsection (d) of section 410 of the War Mobilization Adjustment Act of 1944, the amount by which 'interim placement benefits' exceed benefits which would have been payable under such State law if claims for 'interim placement benefits' had been claims for benefits under such State law."

SEC. 311. The Work Administrator is authorized to delegate (i) to any officer or employee of the Retraining and Reemployment Administration, (ii) to any State unemployment compensation agency, (iii) to the Railroad Retirement Board, or (iv) to any member or officer of any such agency or such Board any of the powers and duties herein described, excluding only the power to prescribe regulations. Such delegation may be revoked or modified whenever the Work Administrator deems it advisable.

SEC. 412. The Work Administrator shall have and shall exercise all the powers necessary for the effective administration of this title. He may employ such persons and provide for their remuneration and expenses as may be necessary for the proper administration of this title. Such persons shall be employed and their remuneration prescribed according to the civil-service laws and the Classification Act of 1923, as amended. Notwithstanding any other provision of law or regulation, the Social Security Board and the Railroad Retirement Board may disclose its records of compensation to any agency or person authorized by the Work Administrator to adjudicate claims for "interim placement benefits". The Work Administrator shall have power to compel an employer to report the amount of any wage or any other information needed to adjudicate a claim for "interim placement benefits".

TITLE IV—HOUSING AND PUBLIC WORKS

SEC. 401. The Administrator of the National Housing Agency is authorized and directed to survey and analyze national housing needs in the period of transition from war to peace and thereafter, and to develop for submission to the President and the Congress a comprehensive program for meeting such needs through private housing and through research, technical assistance, and financial aid with respect to private housing and with respect to local housing undertaken by communities and integrated with plans for community or urban redevelopment.

SEC. 402. (a) In order to encourage States and other non-Federal public agencies to make advance provision for the construction of public works (not including housing), the Federal Works Administrator is hereby authorized to make, from funds appropriated for that purpose, loans or advances to the States and their agencies and political subdivisions (hereinafter referred to as "public agencies") to aid in financing the cost of architectural, engineering, and economic investigations and studies, surveys, designs, plans, working drawings, specifications, procedures, and other action preliminary to the construction of such public works: *Provided*, That the making of loans or advances hereunder shall not in any way commit the Congress to appropriate funds to undertake any projects so planned.

(b) Funds appropriated for the making of loans or advances hereunder shall be allotted by the Federal Works Administrator among the several States in the following proportion: 90 per centum in the proportion which the population of each State bears to the total oppulation of all the States, as shown by the latest available Federal census, and 10 per centum according to his discretion: *Provided*, That the allotments to any State shall aggregate not less than one-half of 1 per centum of the total funds available for allotment hereunder: *Provided further*, That no loans or advances shall be made with respect to any individual project unless it conforms to an over-all local or regional plan approved by competent local or regional authority.

(c) Loans or advances under this section to any public agency shall be made only upon condition that such agency agree that if the construction of the public works so planned is undertaken, such agency will repay to the Federal Works Administrator the amounts of such loans or advances Any sums so repaid shall be covered into the Treasury as miscellaneous receipts.

(d) The Federal Works Administrator is authorized to prescribe rules and regulations to carry out the purposes of this section.

(e) As used in this section, the term "State" shall include Alaska, Hawaii, Puerto Rico, and the District of Columbia.

TITLE V—GENERAL PROVISIONS

SEC. 501. When used in this Act—

(a) The term "Government agency" means any department, independent establishment, or agency in the executive branch of the Government, including any corporation wholly owned by the United States.

(b) The term "contracting agency" means any Government agency which has been or hereafter may be authorized to make contracts pursuant to section 201

of the First War Powers Act, 1941, and includes the Reconstruction Finance Corporation and any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, and the Smaller War Plants Corporation.

(c) The term "State" shall include the several States, the District of Columbia, and the Territories of Hawaii and Alaska.

(d) Subject to the provisions of section 409 (c) and section 409 (a) a "day of unemployment" with respect to an employee means a calendar day on which he is able to work and is available for work and with respect to which (i) no remuneration in excess of 50 cents is payable or accrues to him and (ii) he has in accordance with such regulations as the Work Administrator may prescribe, registered at a public employment office: *Provided*, That remuneration for a working day which includes two consecutive calendar days shall be deemed to have been earned on the second of such days: *And provided further*, That an employee shall not be deemed unable to or unavailable for work by reason of illness or disability occurring after application for interim placement benefits.

(e) A "week of unemployment" with respect to an employee shall mean any period of seven consecutive calendar days, each of which was a day of unemployment: *Provided*, That any seven consecutive calendar days which but for the amount of remuneration which accrues or is payable to him would be a "week of unemployment" shall be a week of unemployment if the amount of such remuneration does not exceed $3.

(f) A "part week of unemployment" is any period of seven consecutive calendar days in which there are three or more days of unemployment.

(g) The term "benefit year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next year, except that a week of unemployment or a week of part unemployment beginning in June and ending in July shall be deemed to be in the benefit year ending in such month of June. For any qualified employee who is not an ex-serviceman, the base year to be used to determine benefits in the benefit year shall be that year of the last three calendar years preceding the beginning of the benefit year in which the wages of the qualified employee were highest.

(h) The term "dependent" means—

(A) an unmarried child (including a stepchild or adopted child), of such individual, who has not attained his eighteenth birthday and who either is living in the same household with the individual or is dependent upon such individual for more than half his support;

(B) the wife of such individual if such wife either is living in the same household with such individual or regularly receives support from him, other than a wife who is regularly engaged in rendering services for remuneration or in any occupation for profit if the remuneration for such services or from such occupation is substantial;

(C) a parent of an unmarried individual if such parent is incapable of self-support and either is living in the same household with such individual or is dependent upon such individual for more than half his support.

In determining whether an individual has dependents, and in determining the number of such dependents, the Work Administrator may find an individual's unmarried child who has not attained his eighteenth birdthay to be the dependent of such individual if the individual certifies, in such form as the Work Administrator prescribes, that such child is closely related to him by blood, marriage, or adoption, is unmarried, has not attained his eighteenth birthday, and either is living in the same household with him or is dependent upon such individual for more than half his support. The Work Administrator may find the wife of an individual to be his dependent if she certifies, in such form as the Work Administrator prescribes, that she is his wife, either that she is living in the same household with him or that he regularly contributes to her support, and that she is not regularly engaged in rendering services for remuneration and not engaged in any occupation for profit. The Work Administrator may find the parent of an unmarried individual to be the dependent of such individual if such parent certifies that he is a parent of such individual, is not capable of self-support, and either that he is living in the same household with such individual or dependent upon such individual for more than half his support.

(i) The term "wages" means (i) compensation as defined in section 1 (i) of the Railroad Unemployment Insurance Act and (ii) all remuneration for employment including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

(1) that part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual with respect to employment during any calendar year, is paid to such individual with respect to employment during such calendar year;

(2) the amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

(3) the payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code or (B) of any payment required from an employee under a State unemployment compensation law;

(4) dismissal payments which the employer is not legally required to make.

(j) The term "employment" means any service performed after December 31, 1940, by an employee for the person employing him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

(1) service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

(2) service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) if the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) if the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof.

(3) domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

(4) service performed by an individual in the employ of his son, daughter or spouse, or service performed by a child under the age of twenty-one in the employ of his father or mother;

(k) The term "American vessel" means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

(l) "Public employment office" shall include an office of the United States Employment Service, a free employment office maintained and operated by the Railroad Retirement Board, or a facility maintained by an employer under the Railroad Unemployment Insurance Act designated as a free employment office by the Railroad Retirement Board, and any employment facility maintained by

a labor organization or by an employer and engaged in placing workers which is designated as a "public employment office" by the Work Administrator.

SEC. 502. There are authorized to be appropriated such sums as may be necessary or appropriate to carry out the purposes and provisions of this Act.

SEC. 503. The provisions of this Act shall become effective immediately, unless otherwise provided in the Act, and unless otherwise provided shall be terminated at the end of twenty-four months after the termination of the war.

SEC. 504. If any provision of this Act, or the application of such provision to any person or circumstance, is held invalid, the remainder of this Act or the application of such provisions to persons or circumstances, other than those as to which it is held invalid, shall not be affected thereby.

SEC. 505. When the Director first appointed under section 103 has taken office, the Office of War Mobilization established by Executive Order Numbered 9347, dated May 27, 1943, shall cease to exist; and such records and property of the Office of War Mobilization, and such unexpended balances of appropriations or other funds available for its use, as the President shall determine shall be transferred to the Office of Mobilization and Adjustment.

SEC. 506. All orders, policies, procedures, or directives prescribed by the Director of War Mobilization, in effect upon the effective date of this Act, and not inconsistent with this Act, shall remain in full force and effect unless and until superseded by the Director in accordance with this Act, or by operation of law.

SEC. 507. This Act may be cited as the "War Mobilization and Adjustment Act of 1944."

Senator JOHNSON. May I ask, Senator, where the surplus property title is now?

Senator AUSTIN. Before we do any business at all, I want to introduce an objection on behalf of Senator Bridges. I have a letter which I think requires me to say that he is opposed to the committee proceeding at all at this time with any of this legislation, and he thinks that the meeting ought to be postponed to a later date.

Senator HILL. Is he suggesting a later date?

Senator AUSTIN. Yes. I agreed to communicate his suggestion, and I have his proxy that way if it came up on an issue.

DISCUSSION REGARDING SURPLUS WAR PROPERTY

Senator JOHNSON. Mr. Chairman, before you start voting at least, I want to say I have introduced a bill, S. 2045, pertaining to disposition of surplus property. My bill has not had consideration by a subcommittee, by this committee, or by any committee.

Senator MURRAY. I may say Senator Johnson, that is one of the reasons we oppose consideration of surplus property now, so that we may have an opportunity to study your bill.

Senator JOHNSON. I thank the chairman of the subcommittee for that. It would be agreeable to me, however, if you would eliminate the surplus property phases of the Kilgore bill, so that my bill might be considered along with other bills on that particular subject. Surplus property is a pretty large subject, as the chairman of our subcommittee can tell you. While I was on vacation and while I should have been fishing, I was rewriting this surplus property bill. I do want to have it considered, Mr. Chairman; I do want the subcommittee to give it serious consideration, because I know there is widespread interest in my bill on the part of labor and on the part of industry—widespread interest.

Senator MURRAY. I can corroborate that there is a widespread interest.

Senator JOHNSON. I thank the chairman again. There are some very important people that want to testify with respect to my bill.

Now, I do not say that they will all be for it; some of them will be against it and others will support it, but out of that conflict we ought to be able to arrive at something that is some place near right. So, I shall join Senator Bridges in opposing any action unless and until Senator Kilgore eliminates, as he promised to eliminate, the title with respect to surplus property. When you had this matter up in this committee before, some time ago, Mr. Chairman, Senator Kilgore said he was agreeable to dropping from S. 1893 the disposal of surplus Government property.

The CHAIRMAN. As a matter of fact, it is my recollection that we voted to drop that.

Senator JOHNSON. I do not recall that we voted to drop it, but I recall Senator Kilgore agreed to drop it.

Senator KILGORE. May I say something, Senator Johnson, since we are on that subject? I am waiting now for the report of the subcommittee, the report which I understand has been drafted. I want to see what that report is. I have not changed S. 1893, because it is before that subcommittee. There is no chance to drop it yet, until the subcommittee reports. I am perfectly willing to discuss with you any amendments or changes that should be made.

Senator MURRAY. The subcommittee is ready to submit its report, which has already been printed, and there is on the table a copy of the report. For the reason stated by Senator Johnson a few moments ago, the subcommittee, in the bill that it is reporting, without number, has agreed to the elimination of the surplus-property provisions. We are reporting here a bill without a number which contains all the good provisions of the various bills that are before the committee, eliminating the surplus-property disposal provisions, and providing unemployment compensation measures which we think are the best provisions that should be considered by the committee.

Senator GURNEY. Will you identify the bill, Senator Murray?

Senator MURRAY. It is without a number.

Senator GURNEY. We have two in front of us without a number. Could you identify which one?

Senator KILGORE. It is August 3.

Senator MURRAY. The committee is reporting at the same time, on a paper marked at the head "Committee Print, August 2, 1944," an alternative proposal setting forth unemployment compensation provisions which retains the administration in the Social Security Administration, and has some other provisions different from what is in that measure without the number. I submit this for consideration also, along with the unnumbered bill, so the committee may determine which of the unemployment compensation provisions are the better.

Senator HILL. Let me ask a question, if I may. I have just got in here this morning, I haven't talked to anyone, but from what I have read in the papers the Senator from Georgia, Mr. George, introduced a bill on Tuesday. That bill was referred to the Finance Committee, and deals with unemployment compensation; is that correct?

Senator MURRAY. Yes.

Senator HILL. Does it deal with anything besides unemployment compensation?

Senator MURRAY. It does not.

Senator HILL. That bill was, I believe, ordered reported favorably to the Senate, and from this morning's Post it seems that bill will be taken up on the floor of the Senate on Tuesday; is that correct?

Senator MURRAY. That is correct.

Senator HILL. That being the case, is not this committee rather faced with this situation: If it wishes its views considered by the Senate on this question of unemployment compensation, it has to act so it can be considered on the floor of the Senate on Tuesday. Otherwise, the George bill might be passed, and when this committee comes up with its report they will say, "We have already acted on it."

Senator MURRAY. That is true. Some of these bills will be on the floor.

Senator HILL. Any member has a right to offer anything he wants, but I mean if the committee as a committee is to speak and is to be heard on the subject, it seems to me it has to speak in time for Tuesday when the George bill comes up. It might come in the form of just amendments to the different provisions of the George bill, but it would seem that Tuesday is going to be the date when the Senate is going to be called on to act on this unemployment compensation measure, and if this committee is going to speak it ought to speak at that time.

Senator TAFT. Mr. Chairman, may I amend that in one way?

The bill reported does not necessarily exclude the things that this committee probably wishes to act on, in any event. It is true it raises the whole question. In other words, if anybody who wanted to postpone that bill until other phases of the unemployment compensation measure were disposed of, I doubt that he would be refused that privilege. It is not quite true to say it contradicts anything.

Senator JOHNSON. May I ask Senator Taft a question?

I am a member of the Senate Finance Committee. I just came back to town. I did not attend the meeting, I did not know the Senate Finance Committee was intending to pass, at this time particularly, on legislation of this nature, so I am totally in the dark as to what was done by the committee. Most social-security legislation that is considered by the Finance Committee must originate in the House, because it usually carries with it some sort of a tax feature. Was the bill that was passed by the Senate a House bill or did it contain revenue-raising features?

Senator TAFT. It did not contain a revenue-raising feature. There is a revenue-raising feature which is part of the program of the Postwar Committee, which was left out of the bill. The understanding is that it was satisfactory to the committee and probably satisfactory to the Senate. The House might amend this bill by extending the tax from employers of eight or more to employers of one or more, which is part of the picture.

The principal feature of the bill is to provide that, as to employees of the Government, the navy yards, arsenals, and so forth, the Navy plants that may be operated by the Government, there shall be unemployment compensation; they should be entitled to unemployment compensation just as though they were employed by private employers in that neighborhood at the expense of the United States Government. That is the principal feature of this bill.

Also there is a provision as to a guaranty of the financial responsibility of State funds. That is to say, if the State fund runs out, if it is not able to meet the obligations under the State law, the Federal Government will put money into that fund on some kind of loan basis.

Senator JOHNSON. It seems to me we are running into a conflict between the two committees. From what you say, Senator Taft, the Finance Committee bill must affect the Kilgore bill. The reason that the Finance Committee is entitled to pass on legislation of this kind is because it is usually a revenue measure, and that is the only reason.

Senator TAFT. I was not there yesterday; I am not prepared to dispute the question of jurisdiction. You will have to fight that out somewhere else. I do not know anything about it. I myself was not at the meeting of the Finance Committee yesterday.

Senator JOHNSON. That question was raised by Senator Hill indirectly.

Senator TAFT. I do not know anything about it, to argue the question of jurisdiction. I can tell you what is in the bill.

Senator JOHNSON. I am not arguing with the Senator from Ohio.

Senator TAFT. I am afraid I cannot answer the question.

Senator JOHNSON. I am not arguing that point with the Senator from Ohio, but it does seem to me we are running into a question of jurisdiction. Two committees cannot very well satisfactorily work on the same problem. Either this committee will consider the unemployment compensation measure or the Finance Committee should.

The only reason I can see why the Finance Committee should is, where a bill originates in the House Ways and Means Committee and goes to the Senate Finance Committee, it is handled by them simply because it does have revenue features in it. But, as the Senator from Ohio states, this bill has no revenue-raising features, and therefore what I think we should do on the Senate floor on Tuesday, if that bill comes up, is ask that it be referred to this committee. Either that or else the Kilgore bill ought to be referred to the Finance Committee.

Senator KILGORE. Senator Johnson, the reason it passed the Finance Committee was because it incorporates an amendment to the social-security law.

Senator JOHNSON. That is all right, if it has any tax phase in it.

Senator TAFT. My understanding is, the whole question of the amendment of the social-security law is within the jurisdiction, always has been within the jurisdiction, of the Finance Committee. I do not know enough about the merits of it, but that is what I understood. The whole question of social-security law, whether it contains a tax measure in it or not, has by custom, practice, and usage gone to the Finance Committee.

Senator JOHNSON. Because every bill that has ever been considered has had a revenue feature to it.

Senator TAFT. The Committee on Education and Labor may well claim the right to amend the social-security law. They always do.

Senator JOHNSON. If the bill would come from the Ways and Means Committee it would certainly be a clear case where the Finance Committee would properly handle it, but if it is a Senate bill, it looks to me like we have a conflict. What is the basis for the consideration of the Kilgore bill by the Senate Military Affairs Committee?

Senator KILGORE. That it is purely a war and post-war matter—a conversion matter.

Senator HILL. War demobilization.

Senator KILGORE. War demobilization, pure and simple; and it does not go beyond the 2-year period following the cessation of hostilities. It does not pretend to be a permanent structure in the legal life of Social Security. That is the purpose of the unnumbered bill. That is the reason that bill was placed before the Military Affairs Committee, because it was demobilization after the war just like mobilization for the war.

Senator JOHNSON. Senator Kilgore, are you familiar with the bill that the Finance Committee passed yesterday?

Senator KILGORE. No, I am not; I haven't had a chance to read it yet. The thing I feel is this, that the Military Affairs Committee has before it a bill, in fact thas before it two or three bills here, all dealing with the same subject, and it seems to me that it is only fair that we get our best judgment on that subject on the floor of the Senate, at least in time to be considered along with the bill reported out of the Finance Committee, in in order that the best bill may pass. That is my theory. On the question that Senator Johnson raised, the question of surplus property—this also applies to Senator Taft and Senator Murray—have you reported S. 1893 with or without recommendations?

Senator MURRAY. Without recommendations.

Senator KILGORE. As far as S. 1893 is concerned, I am perfectly willing to accede to this. I want the surplus property disposal title in here, if it can be gotten in, but I am willing for the committee to consider bill S. 1893 without it. That is the prime difference between the unnumbered bill and S. 1893. There are some structural differences between the two. For instance, in the unnumbered bill I believe you have a joint post-war committee from the House and Senate. That is one structural difference. There are two or three other structural differences, but the bills have a great deal of similarity. The unnumbered bill has a housing title whereas S. 1893 does not have a housing title.

Senator MURRAY. That is true.

Senator KILGORE. I am perfectly willing to proceed to the consideration of S. 1893 without the surplus-property title, but I would like, gentlemen, to have an understanding that, if we do get to surplus property, we key them together and work on them together. If we put it on the other system of separate agencies, under no joint control except control of the President, I am afraid we are up against trouble. We have been criticized for that in the past, and I don't want to be criticized for it in the future.

Senator JOHNSON. I am in total agreement with your statement now, if you eliminate surplus property.

Senator KILGORE. My point is: Cannot we hurry that surplus-property matter? I have here a letter from the president of the Reynolds Metals Co., who is strongly against the surplus-property provision. I do think we ought to get that done in a hurry, because there is now a shortage in a lot of this obsolete equipment that can be disposed of now without disturbing future markets.

Senator JOHNSON. I am in agreement with you. The whole thing ought to be speeded up. I don't want to delay it one hour.

Senator KILGORE. It might be we can have a suitable surplus-property bill ready to go in as an amendment to the offer of the bill on Tuesday.

Senator JOHNSON. That is a little too fast.

Senator MURRAY. We will have to give the matter further study, and it will take longer than that.

Senator Johnson has not been before the subcommittee at all yet, and I think we ought to have a few days to study it. My recollection is, we withheld action on that until next Monday. The committee, as I have stated, has reported the bill without number and recommends it to the full committee for consideration here, and we are also reporting S. 1893, as Senator Kilgore said, without recommendation. Inasmuch as we are recommending the consideration of this unnumbered bill, it seems to me the correct procedure would be to take that up first.

The CHAIRMAN. The one you are speaking of is subcommittee print No. 2, dated August 3?

Senator MURRAY. Yes; which eliminates the surplus-property provision and contains all the better features of the other bills that are before the committee, and contains, of course, the unemployment compensation provisions which are not very greatly different from the provisions contained in S. 1893.

The CHAIRMAN. May I ask you, Senator, do you have in mind giving consideration to Senator Johnson's bill right away?

Senator MURRAY. Yes. I talked to Senator Johnson about that several days ago, and that is the reason why we have eliminated surplus property from this, because it is considered that surplus property is a very complicated problem.

The CHAIRMAN. Do you have in mind giving consideration to Senator Johnson's bill along with others?

Senator MURRAY. Yes.

The CHAIRMAN. Then, placing it back in this bill or making a separate bill out of it?

Senator MURRAY. I think we ought to report this bill out today, if possible, or very promptly, and then take up the surplus property problem.

The CHAIRMAN. You mean your subcommittee will take it up?

Senator MURRAY. Yes.

The CHAIRMAN. When would your subcommittee meet? This afternoon?

Senator MURRAY. We will have the meeting on Monday.

The CHAIRMAN. You want to be heard before then, do you not, Senator?

Senator JOHNSON. Yes; they will hear me before Monday, and witnesses will want to appear before Monday. What he means is that the subcommittee will have hearings and report by Monday, if possible. I doubt whether the subcommittee will be finished by Monday with it.

Senator MURRAY. We should be able to meet with Senator Johnson tomorrow morning to take up his surplus property bill.

The CHAIRMAN. Then, you desire to proceed with the unnumbered bill, subcommittee print No. 2, of August 3, at the present time?

Senator MURRAY. Yes.

The CHAIRMAN. Which eliminates the surplus property feature?

Senator MURRAY. Which eliminates the surplus property feature and contains, as I stated, all the better features of the other bills that have been offered, including the unemployment compensation provision.

Senator JOHNSON. Mr. Chairman, it looks as though you might as well proceed with the draft that we have before us, the unnumbered draft of August 3, and then when you get through with that draft you can substitute it for S. 1893. The committee could do that if they wanted to.

The CHAIRMAN. There is no reason why we could not.

All right, Senator Murray, you may proceed.

MINORITY REPORT OF SENATOR CHAPMAN REVERCOMB

Senator REVERCOMB. Mr. Chairman, before you proceed, I want to note here that I have filed a minority report, as a member of the War Contracts Subcommittee of which Senator Murray is chairman. That report is in print, setting forth my reasons for dissenting from my colleagues in reporting the unnumbered bill favorably. I will say my statements in the minority report deal principally with title III on unemployment compensation. My reasons for the conclusion I have reached and the recommendations contained in the minority report are set forth in the printed report.

The CHAIRMAN. You say that affects title III?

Senator REVERCOMB. Yes.

The CHAIRMAN. What page is that on?

Senator REVERCOMB. Page 16.

The CHAIRMAN. Suppose at that time, when we reach that portion of the bill, Senator, you just provide the committee with your specific objections.

Senator REVERCOMB. Yes; I will do so. I simply want to note at this time that the minority report is in print, and I ask that the minority report be made a part of this record. I see a record is being made here.

The CHAIRMAN. Yes.

(The minority report referred to is as follows:)

MINORITY REPORT FILED BY SENATOR REVERCOMB, OF THE WAR CONTRACTS SUBCOMMITTEE OF THE MILITARY AFFAIRS COMMITTEE, ON THE UNNUMBERED BILL REPORTED BY SAID SUBCOMMITTEE

Your subcommittee, composed of Senator Murray, chairman, Senator Truman, and myself, has filed a report with an accompanying bill, and the majority of the subcommittee, Senator Murray and Senator Truman, recommend to the Military Affairs Committee that the bill submitted should be reported favorably to the Senate.

I do not concur in the recommendation that this particular bill be considered favorably. Therefore, I submit this minority report, calling attention to some of the features in the proposed bill which I believe to be unsound and, in fact, dangerous to the well-being of the people and the country.

It is urgent that the Congress proceed without delay to the passage of legislation that will meet the problems of reconversion and consequent unemployment. And it is recommended that the whole Military Affairs Committee proceed at once to the consideration of reconversion legislation and that a proper bill be reported to the Senate as soon as possible.

The proposed bill is divided into five titles, as follows:

Title I creates an Office of War Mobilization and Adjustment for the over-all supervision of war mobilization and demobilization.

Title II sets up rules and policies for industrial demobilization and reconversion.

Title III provides for the retraining and reemployment of war workers and returning servicemen and for unemployment benefits.

Title IV provides for a survey of housing needs and for the making of loans to the States for the planning of public works.

Title V carries certain general provisions, applicable to the other four titles.

My comments are upon title III of the proposed bill, dealing with the retraining and reemployment of workers.

The Government should take every step necessary to prevent want and suffering among our people. But legislation to meet the problem of unemployment should not establish in this country the idea that the public purse may be used to support those who can support themselves.

Legislation dealing with unemployment should have for its purpose the aiding of those who are unemployed because there is no work obtainable by them at which they may make a living. Certainly it should not induce unemployment. In my opinion, the bill reported by your subcommittee will place a premium upon unemployment and will be an inducement to people to avoid work.

I believe that most men and women desire to earn their own livelihood, but doubtless there are many who will not seek employment if it profits them to be idle.

Furthermore, I do not believe that aid to the unemployed should be used as a method of stabilizing wages and pay. Its sole purpose should be to prevent want for the necessaries of life by those who, because of lack of places to work, cannot support themselves.

Any plan of stabilization of pay or wages should be met by direct action on that subject and not through aid to the unemployed.

For the sake of brevity I point out in a summary way certain parts of the bill which I believe to be unsound:

1. Title III sets forth a rate of unemployment compensation which will create unemployment.

The schedule of payments is set up as follows:

Total wages in base year:	*Weekly benefit rate*	*Calculated annual payments*
$150 to $299	$12	$624
$300 to $599.99	15	780
$600 to $899.99	18	936
$900 to $1,199.99	21	1,092
$1,200 to $1,499.99	24	1,248
$1,500 to $1,799.99	27	1,404
$1,800 to $2,099.99	30	1,560
$2,100 to $2,399.99	33	1,716
$2,400 and over	35	1,820

The above pay is upon a weekly basis for 52 weeks out of the year.

A benefit year is defined as a 12-month period beginning on July 1 of any year and ending on June 30 of the next year (p. 42 of the bill). The unemployment benefits are to be based upon the highest earnings in any one of the 3 calendar years preceding the payment of benefits (p. 42), and when a benefit base is once established it cannot subsequently be lowered. No time limit is placed upon the payments so long as the law is in force.

It will be noted from the above table that one who received $900 in a year for work would receive $1,092 for a year while unemployed; a person who had received $100 per month, or had received $1,200 within a year while he was employed, would receive $1,248 a year during any benefit year of his unemployment.

It is inescapable that any such provision would foster unemployment rather than lessen it.

The $150 salary limitation means that persons who have worked only part time, and who never intended to work except part time, will be covered by full-time benefits.

This bill would provide greater aid to an unemployed worker than would be given to an unemployed returned soldier or sailor under the so-called G. I. bill (S. 1767), which has been passed by the Congress, signed by the President, and is now the law (Public, 346).

The reported bill proposes certain benefits for ex-servicemen, a subject which has already been settled by the enactment of Public, 346.

2. Under the proposed bill the Work Administrator is given practically unlimited power and, consequently, broad directive powers over workers.

The bill provides in section 412 (at p. 37): "The Work Administrator shall have and shall exercise all the powers necessary for the effective administration of this title."

Such unlimited power in an administrator can lead to great abuse of the workers of this country and leave to him the determination, by the making of rules, as to who may work and who may not work; perhaps as to what organization the worker

must belong or not belong in order to secure employment; and to determine whether anyone is unemployed under the provisions of the bill.

The Work Administrator is the highest court of appeal in the administration of the act and may review decisions of any appeal tribunal created under the act.

It is provided that appeal from the Work Administrator may be taken by a claimant or any labor organization of which he is a member, to a Federal district court, provided the labor organization is authorized to represent employees under the National Labor Relations Act or the Railway Labor Act, which such appeal may be taken within 90 days or within such further time as the Work Administrator may allow.

3. The Work Administrator is authorized by the proposed bill to provide, i. e., pay for vocational training for "any person" for not more than 6 months. This he may do "whenever he deems it necessary" (p. 20 of the proposed bill). He is the sole judge of when it is necessary. He may provide this for any one and any number of persons without limit. He may provide this training in addition to any free education or training now provided by law.

While such persons are receiving this training, each receives an income to be paid by the Federal Government of from $50 to $100 per month, graded according to the number of dependents such person may have.

It is submitted that Congress is not justified in authorizing vocational education at the public expense of an unlimited number of persons selected by a public official.

4. The administration of unemployment compensation is under the Federal Work Administrator. It permits him to enter into agreements with the States to handle the actual machinery for the payment of benefits, and if the State elects to handle the payments the Federal Government is to reimburse it for any amount paid over and above any amount that would have been paid under the compensation laws of the State. If the States do not elect to administer, the Work Administrator would handle the payments directly.

However, the rate of pay and compensation is fixed in the Federal statute. The State unemployment compensation agencies already set up would be made mere vassals of the Federal Government by this bill. Unemployment compensation systems would be completely federalized and directed from Washington.

5. The proposed bill provides that a person is considered unemployed and may be paid unemployment compensation even if he has the opportunity to work and may be offered work, if such work pays substantially less favorable wages than the prevailing wage for similar work in the locality, or if the rate of pay offered is less than the union wage in that locality. (See p. 66 of the bill).

This is clearly an effort to stabilize wages by the use of relief to unemployed persons. Even though a man or woman had the opportunity to work, he or she would still be considered an unemployed person if the rate of pay offered did not substantially meet the prevailing wage scale. This is unfair to the worker who wants to make his own way and his own contract of employment.

6. Subsection (j) of section 501 (p. 45) defines the meaning of "employment" and thereby indicates who shall receive unemployment compensation. "Employment" is defined as "any service performed after December 31, 1940, by an employee for the person employing him, irrespective of the citizenship or residence of either" within the United States, subject to certain exceptions as to persons in the employ of foreign governments or instrumentalities owned by foreign governments, domestic service or service performed by an individual in the employ of a member of his family.

Thus, persons who came into this country temporarily to perform war work would apparently be qualified to receive unemployment compensation.

7. The report of the subcommittee states that we face the situation of 20,000,000 war workers being demobilized, i. e., being left without employment in their present jobs. If all of these 20,000,000 were to become unemployed and remain so over the course of a year, and the average income of each, while working, had been $1,200 per year (and I submit that this average is quite low), the amount of compensation under the proposed bill to each of the unemployed would be $1,248 per year, or a total cost of $24,960,000,000 annually.

From this example and illustration, whether there will be 20,000,000 or 10,000,000 persons unemployed, it is doubtful that such a burden can be soundly placed upon the Public Treasury, with the immense public debt that has accumulated.

8. The submitted bill purports to be a temporary measure, terminating 2 years after the cessation of hostilities, but no one could believe that once enacted

it would not continue as permanent legislation. Under the guise of a temporary emergency, this title would completely federalize the Social Security Act and would permanently fix very high benfit levels.

9. Gen. Frank T. Hines, the present Work Administrator, says of S. 1893, and his remarks are applicable to the proposed bill because title III was taken from S. 1893:

"If the machinery required by S. 1893 were set in motion, there might ultimately arise demand for a completely federalized unemployment compensation system It is, of course, true that the bill would permit use of other Federal agencies, but such use would essentially change the existing character of any such agency.

"* * * would essentially supplant a large part of the existing Social Security Act, would set up standards, qualifications, and disqualifications not in consonance with those provided in said act, and would provide sanctions and penalties not contemplated by that or any other act. Benefits under this section are termed 'interim placement benefits' rather than unemployment compensation, but essentially they take the place of unemployment compensation.

"* * * purports to permit State agencies to participate on a voluntary basis in the administration of the 'interim placement benefits.' If a State does not so 'elect'—which raises the question as to necessity of State legislation—the entire administration will be under the new Federal agency created by the bill. Moreover, final authority to make findings of fact, to hold hearings, conduct investigations, and to consider appeals is vested in the Work Administrator.

"* * * would duplicate and for a limited period only and with many fundamental changes, the existing provisions of the Social Security Act and the State statutes which have been enacted largely in conformity with the principles of existing social-security legislation.

"* * * Certainly a civilian employee or war worker should not receive greater benefits than men and women discharged from the United States military and naval forces. Further, the allowances for dependents will complicate the administration of the act, particularly at the State level, and will require statutory and regulatory definitions. Unquestionably, if these amounts for dependents are retained, Public, 346 will necessarily have to be amended accordingly, to give veterans equal or greater allowances.

"* * * authorize and require the establishment of extensive and expensive Federal machinery to administer functions—or extensions thereof—presently the responsibility of existing Federal agencies.

"* * * would require a large governmental agency supplanting many of the duties of existing agencies, particularly the Social Security Board.

"The essence of the bill is creation of an administrative agency—as distinguished from the correlating agency set up under Executive Order * * *."

The State directors of unemployment compensation are bitterly opposed to the handling of unemployment compensation as set up in the proposed bill.

The Special Committee on Post-war Economic Policy and Planning of the Senate has given study to the proposed plan and has condemned it in its report of June 23 (Rept. No. 539, pt. 5, 78th Cong., 2d sess.).

RECOMMENDATION

10. On August 1 the Special Committee on Post-War Economic Policy and Planning of the Senate, through its chairman, Senator George, introduced a bill dealing with unemployment compensation, the principal features of which were that the subject of unemployment compensation should be administered by the States through the organization and machinery already established in the States; and that the Federal Government shall loan to the States sufficient funds to pay unemployment compensation if the State funds should not be sufficient to meet this obligation. The passage of this bill will properly meet the subject of unemployment compensation. This bill has been favorably acted upon today by the Finance Committee and will be reported to the Senate at once.

As of May 14, 1944, the States had to their credit, in the Treasury of the United States, unemployment compensation funds aggregating more than $5,000,000,000. These funds are growing at the rate of more than $1,000,000,000 a year and would reach a total of $7,000,000,000 if present employment exists through 1945, or about $6,000,000,000 if it exists through 1944. Therefore, the States already have an immense fund to be used for unemployment compensation before they need to turn to the Federal Treasury to borrow further money for that purpose (p. 2, Report of Special Committee on Post-War Policy and Planning of U. S. Senate, June 23, 1944).

It is respectfully recommended, as a minority report, that S. 1893 be not reported favorably; that title III of the bill reported by your subcommittee, and such other parts of said bill as deal with unemployment compensation, be deleted therefrom, and that the bill, after such deletion, be reported to the Senate. Also, it is suggested that a bill dealing with the disposal of surplus war goods be considered and acted upon as soon as that can be reasonably done.

Respectfully submitted.

CHAPMAN REVERCOMB.

AUGUST 2, 1944.

Senator GURNEY. Mr. Chairman, before we proceed I would like to say I have not studied any of these bills at all. I have been working on other things, but I notice that the payments for unemployment range, during the post-war period, from $12 a week to $35 a week. I want to state that this clashes with what I had believed would be fair treatment not only for the civilian workers after the war but also fair treatment for returning soldiers. I am almost astounded at the payments provided in the bill, because they are higher than we pay soldiers during the war. They are practically soldiers' pay. You pay $12 a week. That is about what a private in the Army gets. They are almost as high as the civilian worker in the defense factory makes while he is employed during the war. In other words, we are going to be nicer to him; it looks like our conclusions are that we love the civilian worker more when the war is over than we did the soldier when the war was on.

The CHAIRMAN. You have before you, I believe, the minority report.

Senator GURNEY. I have before me the schedule of payments.

The CHAIRMAN. Is that on page 22?

Senator MURRAY. It is in the unnumbered bill, page 22.

Senator REVERCOMB. We used the same table in the minority report that we found in the unnumbered bill.

Senator GURNEY. I haven't read the minority report. It hits me square in the eyes. Here is a great benevolent Government that is going to prove, by the passage of this bill, that we like the civilian workers more than we like our soldiers in time of need, during the war. I am ready to consider the bill in detail, but it clashes with what my views are on the fairness that we owe to the ones that have stood by the country in wartime.

Senator JOHNSON. Senator Gurney, do those figures take into consideration that a soldier gets maintenance, quarters, clothing, everything?

Senator REVERCOMB. While he is fighting.

Senator GURNEY. I expect he is entitled to it.

Senator JOHNSON. Certainly he is entitled to it. He is entitled to everything, but you are making a comparison between the soldiers' pay and the civilians' pay. You say the civilian under this bill is paid more than the soldier. I wonder if you took into the account all of the payments that the soldier gets?

Senator GURNEY. I am merely calling to your attention the fact that the cash payment under the unemployment features of this bill will be more than the cash payments the soldiers receive during the war, or it is at least equal to it.

Senator JOHNSON. You are only taking about the cash payments?

Senator GURNEY. That is right. Of course, if you want to compare the value of the efforts that the soldiers put forth, why, you could not commence to say we even started to compensate them for risking their lives, the work that the soldiers do in the foxholes and what not.

Senator JOHNSON. That is right.

Senator GURNEY. Here we are going to compensate a civilian worker after the war almost as much as we compensate the soldiers during the war.

Senator KILGORE. Senator Reynolds, I would like at this time to ask a few questions of Mr. Latimer on this line.

The CHAIRMAN. Very well, Senator Kilgore.

STATEMENT OF MURRAY W. LATIMER, CHAIRMAN, RAILROAD RETIREMENT BOARD, WASHINGTON, D. C.

Senator KILGORE. Mr. Latimer, you are Chairman of the Railroad Retirement Board?

Mr. LATIMER. Yes, sir.

Senator KILGORE. You have studied this table of weekly benefits, have you not?

Mr. LATIMER. Yes, sir.

Senator KILGORE. Taking into consideration the living costs as they now are and as projected for the post-war period, I wish you would give the committee your best judgment on the fairness of this schedule, as to being what we might call an absolute necessity in order to live.

Mr. LATIMER. This schedule, as I have analyzed it, would produce a benefit averaging about 80 percent of average compensation at the present time.

Senator KILGORE. That is in those brackets up to and including $2,400?

Mr. LATIMER. In those brackets up to and including $2,400.

Senator KILGORE. Of course, those in the higher wage brackets would not get that.

Mr. LATIMER. Would not get 80 percent, no, sir. Any single scale of benefits which is simple enough to be administered and which gives a reasonable and equitable treatment for various groups throughout the country is bound to have some inequalities in it, and therefore you can make that statement, which is subject to some exceptions, but I think in general this particular scale would produce a benefit of 80 percent of current average wages. There would be some cases which would go lower than that, and there would be some which would go higher, but that average would hold true. There would be a few cases in which the benefit would be in excess of the average earnings. Such cases would be small in number and of no great consequence.

I would like to make one statement with respect to the matter of the ex-serviceman. This bill, of course, tends to provide a fair treatment of the person who served in the armed forces and the person who has served in industry. It gives a roughly comparable set of the same benefits. In the Railroad Retirement Act and in certain proposals for amending the Social Security Act, an effort has been made to give credit under the Social Security Act to workers who have been in the armed services and who came from covered employment, employment covered under one or the other acts.

The Railroad Retirement Act gave credit for $160 a month as being a fair representation of the value of cash plus perquisites while in the Army. That has been written into the law now for over 2 years—2 years and 3 months, approximately.

In the Social Security Act the amendment has adopted the same figure. In fact the Congress has not yet passed it, but that has been worked out as the value.

Now, at that rate of $160 a month the soldier would get on the average somewhere around $33, according to this scale of benefits. It runs from $20 to $35.

Senator KILGORE. Depending on the number of dependents?

Mr. LATIMER. Depending on the number of dependents. I do not think these benefits are out of line with what would be attributable to compensation for a person serving in the armed forces.

Senator KILGORE. Mr. Latimer, the unemployment compensation, as administered by Social Security and by the Railroad Retirement Board, derives its funds from what is known as the pay-roll tax; isn't that right?

Mr. LATIMER. Yes.

Senator KILGORE. Is not that charged up as operating expenses of the company paying it?

Mr. LATIMER. Certainly. In the case of railroads it is charged into account 457 as part of the operating expenses.

Senator GURNEY. There is an employees' contribution to the fund also?

Mr. LATIMER. Not to unemployment insurance; no, sir.

Senator KILGORE. How about Social Security?

Mr. LATIMER. There are taxes now on employees in 3 States for unemployment-insurance purposes. There have been 10, and it is now down to 3.

Senator KILGORE. A combination wage scale that was collected direct as a pay-roll tax?

Mr. LATIMER. Yes.

Senator KILGORE. Therefore, on the question of unemployment compensation, in those groups that have not been under the regular unemployment compensation laws, it would have been added to the cost if the Government had not paid for those services. In other words, take the shipyards and the seamen; if they had been on unemployment compensation they would simply have been added, that is, the cost would have been added to the operating cost of the ship?

Mr. LATIMER. Yes.

Senator KILGORE. So it entails no additional cost on anything pertaining to the war; is that right?

Mr. LATIMER. It would be part of the war cost.

Senator KILGORE. Yes, part of the war cost. Now, Senator Gurney, if you have any questions to ask you may go ahead and ask them.

Senator GURNEY. I do not know enough about the bill to go into detail on it.

Senator TAFT. May I ask if this applies to railroad workers? Is it on top of the Railroad Retirement Act as well as the Social Security?

Senator KILGORE. It is not on top at all.

Senator TAFT. It applies to railroad workers as well as to those under the Social Security Act?

Mr. LATIMER. Yes.

Senator KILGORE. It applies to all workers.

Senator REVERCOMB. I would like to ask Mr. Latimer a question or two.

The CHAIRMAN. Go right ahead.

Senator REVERCOMB. Mr. Latimer, turning to the table of payments on page 22 of the unnumbered bill, which is also the same table of payments in the minority report——

Senator HILL. Page 2 of the report.

Senator REVERCOMB. Yes, and it is the same table of payments in S. 1893. Now, I notice that the first column, or column I, shows the total wages received in a base year. A base year is the year of largest income within the 3 years preceding the receipt of the benefit, is it not?

Mr. LATIMER. That is the way it is defined here, yes, sir.

Senator REVERCOMB. So, if a man received $1,200 while he was working as the best income, best wages he had received in any one year, 3 years before he received compensation, he would receive in his compensation year, for a full year of 52 weeks, $1,248, or $48 more per year than he received while working. Is that correct?

Mr. LATIMER. That is correct, if he got that rate. You find the same result in the Railroad Unemployment Insurance Act, where a man gets more earnings in his benefit year than the base year. That arises from the fact that normally the man who gets wages in the base year, at the lower end, worked for short periods. For example, a man may get $150 from the railroad in the year 1944, and in 1945 he can draw $175.

Senator REVERCOMB. Under this column that you have here in the unnumbered bill, and in S. 1893, if a man worked only part time during the year, and intentionally worked only part time during the year, and made $150 for his work in that year, he would receive as compensation $624 for 52 weeks while unemployed, wouldn't he?

Mr. LATIMER. If he was eligible. Now, of course, you have all your disqualifications here. If he does not want a job, you do not pay him anything.

Senator REVERCOMB. I mean if he is unemployed.

Mr. LATIMER. If he is unemployed, seeking work and available for work, yes, he is eligible. Of course, the bill proceeds on the theory that a man who does not want to work is not entitled to a benefit.

Senator REVERCOMB. But if he received $150 during the last 3 years in this company and only made $150 during the base year, you have to provide payment for him in excess of four times as much as he got, haven't you? He would receive four times as much compensation for unemployment, while unemployed, as he did while he had opportunity to work, would he not?

Mr. LATIMER. Yes, that is the theory, that unemployment compensation would give benefits to people who are unemployed. The lower their income at the time they are employed, the more they need it during the time they are unemployed.

Senator REVERCOMB. Don't you think that is a dangerous precedent to set?

Mr. LATIMER. If you disqualify him every time he turns down the job, I think you have adequate provision to safeguard it.

Senator TAFT. May I ask a question? We have a plant in Cleveland and I think every girl there makes $36 a week, at least. They

have all been there 3 months. She would get, even though she is a single girl, $35 a week?

Mr. LATIMER. If she were unemployed.

Senator TAFT. Even though she never worked before the war started and did not work afterward, she would still get $35 a week?

Senator KILGORE. She must look for a job and accept a job when it is offered.

Senator TAFT. I understand that.

Mr. LATIMER. I assume they would follow the practice that we follow in the railroad in the matter of unemployment insurance. If a man comes and applies for benefit to us and says, "I don't want to work," we pay him no benefit. I assume the unemployment insurance system would do the same thing, would pay only the people who are in the labor market who would work, who are seeking work and are available for employment.

Senator REVERCOMB. But assume there is no work available, that there are no jobs open; this presupposes they would get payment of unemployment compensation. Take cases of women who maintain their homes, who during this war period leave their homes and go into these plants and work; the plants close down, there is no work for them, they go back to their homes, maintain those homes as they did before. You would pay them, if they made as much as $2,400 a year, $35 a week.

Senator KILGORE. If they are registered for employment with the U. S. Employment Service, yes.

Senator REVERCOMB. Regardless of the fact that we know the jobs are not available for them, even if they are registered, they are going to receive the $35 a week, is that the idea?

Mr. LATIMER. In 1939 and 1940, when there was substantial unemployment in the railroad industry and elsewhere, we went further than that in order to weed out cases of housewives who were not actually seeking employment. We required the submission of some kind of proof that there had been activity on the part of the person seeking the job. We required letters written in the actual solicitation of jobs, doing something more than staying in the house and tending to the household chores. If no showing of that sort was made, and if it was shown that the woman, by her action in the household, did not seem to be holding herself up for employment, we did not give any benefit.

Senator REVERCOMB. That is entirely in the broad power given to the Administrator under this bill.

Mr. LATIMER. That is correct. The bill provides a person being available for and able to work.

The CHAIRMAN. Does not the person have to make an application for work?

Mr. LATIMER. Yes.

The CHAIRMAN. Suppose a housewife wants a job and the employment agent says, "You live in Washington?" "Yes." "We have a job for you in Chicago." What would happen in that case?

Mr. LATIMER. That would not be regarded as suitable work, if they have to move that far.

Senator REVERCOMB. And she would draw her compensation at $35 a week?

Mr. LATIMER. In addition to that she is generally seeking work. The mere fact she is applying for a job, knowing there is one only in Chicago, is not proof that she is seeking work. If she is seeking work, you would pay the $35, yes.

The CHAIRMAN. Suppose you said, "We have a job for you in Chicago. You live in Washington." And she says, "I am not going to take that job because it is too far, away from home" will she be disqualified in that case?

Mr. LATIMER. No, not for that reason alone. If she gave an additional reason, that she wanted to stay home and take care of her husband, she would be disqualified, if she made that as the basis of refusal. The mere fact that she would not go to Chicago, or, rather, the job being in Chicago, shows that it does not constitute suitable employment for a person living in Washington.

Senator REVERCOMB. People in the community knowing there is no employment come in and register; they say, "I am ready to work, I am willing to go to work," knowing they will not get a job; yet they go in there and draw compensation by saying, "I am ready and willing to go to work."

Mr. LATIMER. That will happen in some cases; yes.

Senator REVERCOMB. That will happen generally.

Mr. LATIMER. All I can say from my own experience, I will say, "No, I have just not had it happen in any railroad industry."

Senator GURNEY. Evidently it is the intention then of this bill to keep on an employed basis women who have come into industry during the war, who have come to take these jobs that we urged them to take in order to supply the men overseas. So, as I see it, we are actually setting up a law trying to induce these women to stay at work rather than, to put it bluntly, marry a veteran and give him a chance to find employment and make a home. Are my conclusions far off?

Mr. LATIMER. Of course I cannot speak for Senator Kilgore. Perhaps he would better answer that. I do not believe that is the intention. Normally an unmarried woman who does marry takes herself out of the labor market. That is the normal consequence. You normally have a presumption that that is the case when she marries. You can rebut that presumption by evidence to the contrary.

Senator GURNEY. But, Mr. Latimer, if we set up this schedule here, we set up this golden opportunity for her to continue employment, to continue as a single person. Might that not be an inducement for her to remain independent and not desire to set up a home?

Mr. LATIMER. I would not think it would have that effect.

Senator GURNEY. It means $35 a week to her.

Senator KILGORE. Subsection (d) reads:

> There shall not be considered as a day of unemployment, with respect to any employee, any day in a period of not more than 5 weeks, beginning with a day with respect to which the Work Administrator finds that—
>
> (i) he failed, without good cause, to accept suitable work available on such day and offered to him, or to comply with instructions from a public employment office to apply for such work or to report, in person, or by mail, as directed, to such office;
>
> (ii) he was properly discharged or suspended for misconduct related to his employment;
>
> (iii) he left work voluntarily, without good cause;
>
> (iv) subject to the provisions of subsection (e) of this section, his unemployment was due to a stoppage of work because of a strike in the establishment, premises, or enterprise at which he was last employed.

Mr. LATIMER. I think there are two other things that might be said about this bill. Right now there are a great many people leaving

war employment in an effort to get back into peacetime jobs and protect themselves against the possibility of lay-off at the end of the war. My own feeling has been, and I have had some experience in the matter, that something like a national service act that does not itself offer some security is not an answer to the problem. The answer to the problem is to make the condition such that a person does not have to be interested in protecting himself by leaving the war job at this time. I think that applies to a great many women, irrespective of whether they are married, or something else, who do intend to stay in the labor market, and irrespective of what unemployment compensation is or is not offered.

The second thing I think is equally important, and that is that the provision of security by leaving men to conduct themselves in normal ways will have a tremendous influence on the volume of post-war employment, the volume of economic activity. The best case, it seems to me, that can be made for a measure of this sort is by its own terms it induces a level of employment that makes it unnecessary to pay substantial benefits. We know that the thing the unemployment insurance has offered has had substantially no influence on whether to spend it or to save it. That sort of influence on total income payments disbursed in this country will have tremendous influence on the level of our whole economic activity.

The CHAIRMAN. Mr. Lamb, you wanted to address yourself to a subject brought up by Senator Revercomb a moment ago.

STATEMENT OF ROBERT K. LAMB, REPRESENTING CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. LAMB. I am here by the invitation of the chairman as a representative of the Congress of Industrial Organizations. As I read this legislation, Senator Gurney, in the State of South Dakota, you will have the authority of changing this legislation, and consequently if the State of South Dakota, having accepted the terms of this bill, agrees to come in under it, it will be up to the State of South Dakota to determine how it administers the definition of "suitable employment." If it is the pleasure of the State of South Dakota to disqualify the highest wages ipso facto they can pretty well determine the conditions under which they will be disqualified, as I read the bill.

Senator REVERCOMB. May I interrupt you at this point?

Senator GURNEY. May I ask just one question at this point?

Senator REVERCOMB. Go ahead.

Senator GURNEY. You say it is up to the State to determine how the bill will be administered. Then it is not a fact that we might have 48 different definitions, 48 different ways of administering the provisions of the bill?

Mr. LAMB. Senator, as I understand it, one of the criticisms of this bill by some of the people who oppose is it that it violates States' rights. I point out it does not do anything of that kind, namely, that the 48 States will administer it, the definitions are up to them. The employment is left up to the States.

Senator REVERCOMB. Mr. Lamb, right there, this bill provides that within 90 days after passage a State may elect as to whether or not it will use its social-security machinery to aid in the administration of the bill.

Mr. LAMB. That is right.

Senator REVERCOMB. But it has to pay out the benefits that are fixed by the bill.

Mr. LAMB. That is right.

Senator REVERCOMB. And it has to conform to the rules that are laid down by the Work Administrator.

Mr. LAMB. That is right.

Senator REVERCOMB. Now, if it has to conform to rules laid down by the Federal Work Administrator, who is given wide, blanket powers under this proposed bill, what do they have to say about who might be paid and who might not be paid? Would not the Federal Work Administrator fix that?

Mr. LAMB. Senator, under the present social-security law suitability of employment is determined within the State, and as I understand this law, the same thing prevails, and consequently I do not see that that is any particular intervention of the States' rights.

To answer the other part of your question with respect to the desirability or undesirability among States of coming in under the law, as I read the law, they had a direct inducement to come in, in the first place, because any such additional benefit that they may be offered over what they are now doing will be reimbursed to them by the Federal Government. Whereas, under the bill as approved, for example, by the Finance Committee yesterday, they have, on the contrary, a direct inducement to stay outside, because they are going to have to bear the whole burden of any unemployment benefits that may be paid, and if there is a pressure in the States, as there undoubtedly will be, for higher benefits, perhaps not as high as these, those States will have to bear the burden and all they get in the long run is the inducement of a loan, not a grant, from the Federal Government to reimburse them for the money already paid out. The State funds, which are now $500,000,000 or $600,000,000, are on the skids, the bill as reported out yesterday puts the skids under those funds.

Senator REVERCOMB. Mr. Lamb, first as to the George bill, it provides that States may borrow money from the Federal Government, the Federal Government shall loan money to the State to meet the obligations if the State funds are not sufficient.

Mr. LAMB. Yes.

Senator REVERCOMB. Getting back to the question about who would fix the payments for those who might be paid compensation, you made the statement to Senator Gurney that in your opinion under this law it might be fixed by the State. As a matter of fact, it would be fixed under the rules of the Federal Work Administrator as to who was to receive compensation under this bill.

Mr. LAMB. I know the State administrators, with definitions of this kind, have a considerable amount of latitude and ability to determine the benefits and eligibility.

Senator REVERCOMB. He may have a considerable amount of latitude, but he has to conform to the rules of the Federal Work Administrator, hasn't he?

Mr. LAMB. I should urge that you examine the rules of the Federal Administrator permitting the striking off of a person with considerable revenue. As a matter of fact, one of the dangers in all of this legislation is that it does not stand in the hands of the Administrator. By the way, this particular administration is not for Federal administration but State administration federally supervised.

Senator KILGORE. In other words, Mr. Lamb, the present law merely says that there are certain things that the Federal Administrator cannot do, it cannot strike them off.

Senator REVERCOMB. The Federal Administrator may lay down rules to which the State organizations have to conform as to all administrative acts.

Mr. LAMB. The rule is very simple. A man applies for work, he refuses the work which is offered him, and if it is considered by the State administrator to be suitable work, he is out; the man does not get unemployment compensation.

There is one more point with respect to the question of the soldier as against the civilian. Senator Gurney, as I read this, the individual ex-serviceman gets a base, as he does under the G. I. bill at the present time, of $20 a week unemployment compensation, plus raises for dependents up to three, a total of $35. Consequently the benefits under this bill to servicemen are greater than presently under the G. I. bill.

Senator REVERCOMB. Mr. Lamb, I invite your attention to the unnumbered bill, on page 28, line 9, section 310, where the term "qualified employee" is defined. It states:

> A person shall be a "qualified employee" if the Work Administrator finds (i) that he served in the active military or naval service of the United States at any time after September 16, 1940, and prior to the termination of the present war, and had been discharged or released from active service under conditions other than dishonorable or (ii) that since the beginning of the calendar year next preceding the calendar year in which he first applies for "interim placement benefits" and before making such application he received wages of not less than $150.

In other words, he is a qualified employee and should receive compensation if the Federal Work Administrator finds, not if the State finds.

Mr. LAMB. But you will also find here that the Work Administrator delegates this authority to the State.

Senator REVERCOMB. Now, the conditions under which he does so are laid down beginning on page 28 under section 310, subsection (b). I am unable to find anything in there that takes from the Work Administrator the absolute power to lay down the rules as to who may or who may not receive unemployment compensation.

Senator GURNEY. Senator Revercomb, may I ask this question, in order to explain it more fully? Supposing a veteran came back and did not find any work and therefore did not make one dollar or anywhere near approaching the $150 during the year, the calendar year after he came back from the service, would he then not be estopped from getting any unemployment compensation?

Senator KILGORE. No, no; all he has to do is to show that he was a soldier.

Senator REVERCOMB. On page 22 you will find he is paid not less than $20 if he has no dependent, $25 if he has one dependent, $30 if he has two dependents, and $35 if he has three ore more dependents. His basis of pay is a very different thing than the basis of pay of a workman. For a workman, the weekly payment is based upon what he made.

Senator GURNEY. Reading clause (a) of section 310, page 28, it defines a veteran who served in the war, the military service, and then it says he shall be entitled to payment providing he made not less than $150 the next preceding calendar year.

Senator REVERCOMB. No; this word "or" takes care of that. There are two classes, veterans and workers.

The CHAIRMAN. Are there any other questions, gentlemen, of Mr. Latimer?

Senator REVERCOMB. In view of the discussion here and the statements on this subject of who may receive compensation and the rights of the States through their agencies to act on the payment of unemployment compensation, I desire to call the attention of the committee and point out on pages 28 and 29 of the unnumbered bill just what powers the States would have if within 90 days they elected to act under this proposed law. I want the record to show that.

The CHAIRMAN. They would have such powers as are delegated to them by the Work Administrator, would they not?

Senator REVERCOMB. Exactly so. The bill says they may do certain perfunctory things, but the Work Administrator lays down the rules and regulations by which they must act.

The CHAIRMAN. Would not those rules and regulations be firstly laid down by the National Administrator?

Senator REVERCOMB. The National Work Administrator.

The CHAIRMAN. They would be laid down by him.

Senator REVERCOMB. Yes. In fact, he is given a very blanket power. I want to point that out on page 37.

The CHAIRMAN. Those rules and regulations would be binding on the State administrators, and the State administrators would have to comply originally with the restrictions set up by the National Work Administrator.

Senator KILGORE. On page 37, section 311, it states:

> The Work Administrator is authorized to delegate (i) to any officer or employee of the Retraining and Reemployment Administration, (ii) to any State unemployment agency, (iii) to the Railroad Retirement Board, or (iv) to any member or officer of any such agency or such Board any of the powers and duties herein described, excluding only the power to prescribe regulations.

Mr. LATIMER. I would like to make a comment on that part, because I think our own experience is probably of some value in that connection.

Senator REVERCOMB. May I interrupt just a moment so that that may be finished? May I read the sentence that follows the thing read by Senator Kilgore?

The CHAIRMAN. What page are you reading from?

Senator KILGORE. Page 37.

Senator REVERCOMB. Page 37. It states:

> Such delegation may be revoked or modified whenever the Work Administrator deems it advisable.

The powers are placed in the Federal Work Administrator as an absolute dictator in the administration of this unemployment compensation bill.

Mr. LATIMER. Now, there are very practical limits as to the extent to which a centralized agency of this character can make rules and regulations. I happen to be the chairman of such a centralized administration. Presumably we can dictate whether a railroad man in Florida, South Dakota, West Virginia, or Maine can or cannot get benefit, but as a practical matter we cannot do any such thing. They law down certain rules. The rules that are laid down on the railroad

unemployment insurance cover 4 or 5 pages. We have 9 regional offices to which we have delegated authority to pass upon claims, and they do it. We have not had one single appeal, out of over 3,000,000 claims handled by our 9 regional offices, to the Board. These matters of adjudication, if they are to operate at all, must be largely left to discretion, so long as you apply certain rules. Not having any rules at all, just telling the man in New York or San Francisco, "Go ahead and do what you please," would not get us anywhere. The point is local autonomy is necessary even in a local agency. I think we have a type of control over our local subordinates, yet we have never had anyone charging us with dictating as to how they should do it in Florida, how they should do it in Washington, or Alabama.

Senator REVERCOMB. You certainly lay down the rule as to who may or may not receive compensation or who is qualified to receive it. That is placed with the central administrator.

Mr. LATIMER. Of course that is done by statute.

Senator REVERCOMB. It is not done by statute here.

Mr. LATIMER. I think it is. If a person has $150 earnings, or if he is an ex-serviceman discharged or ceasing active service, there is no administrator who can do anything but hold him qualified.

Senator REVERCOMB. Getting back to our discussion about the housewife or others, anyone who received $150 for any employment during the year would be entitled to compensation under the statute.

Mr. LATIMER. Not as a housewife; no, sir.

Senator REVERCOMB. But the central administrator and not the State administrator would have to lay down the rules as to whether or not as a housewife or other person she comes within the statute.

Mr. LATIMER. On the unemployment side or qualifying side?

Senator REVERCOMB. On the qualifying or the unemployment side, either or both.

Mr. LATIMER. I think the statute lays down the rule as to whether or not she is qualified.

Senator REVERCOMB. The only qualification set up is that they make $150 per year.

Mr. LATIMER. I am speaking perhaps a little hastily, because I haven't read this particular draft, but if it is like S. 1893, it does, precisely like the Unemployment Act. The wages give rise to qualification.

Senator JOHNSON. Do farmers get any benefit from this bill, farm labor?

Mr. LATIMER. Farm labor, yes, sir; not persons who are self-employed; persons who are employed by another, except the family employment. Housewives are out, and all domestic servants are out.

Senator KILGORE. Let me make one suggestion. On page 28, line 15, the point raised there in section 310, let me make a suggestion which might clarify the subject. In section 310, paragraph (a), insert these words: "that the agency administering said benefits." Now, if the State elects to administer it, that would not determine whether or not the man had earned the amount of money without reference to the Work Administrator, because that is what he is going to do; he is going to refer it to the State unemployment service, if they elect to administer it.

Mr. LATIMER. The reason I think it was written in as "Work Administrator" is because it so happens that the Social Security Board has the best collection of wage records in existence. The State of West Virginia may have certain wage records, but it represents only the earnings of the man in West Virginia. If the same man goes to Maryland, Virginia, Pennsylvania, or Ohio, across the line, and has some earnings there, they are scattered around. The normal finding here would be made on the basis of a statement from the Social Security Board which has one consolidated wage record. That is an easy and simple thing to do.

Senator KILGORE. I did not know about those records being centrally controlled that way. Then they would have the best records.

Mr. LATIMER. Oh, yes.

Senator KILGORE. Taken from the actual pay rolls.

Mr. LATIMER. Oh, yes.

Senator KILGORE. Then the central office would be the only place that should reach that determination.

Mr. LATIMER. It would be the simplest thing to do. It could be done otherwise, by consolidating, but it would be a rather messy kind of procedure.

Senator JOHNSON. Mr. Latimer, I am not very much interested in this controversy of States' rights versus Federal rights and responsibilities in a measure of this kind, but do I understand if a State does exercise its prerogative of administering this bill, then it is penalized, that it costs the State more money if it operates the bill?

Mr. LATIMER. I made a report on this bill yesterday in which I said it seemed to me that probably the most substantial defect in this was the fact it permitted the State to get out too lightly. On the contrary, it can escape practically the entire burden if it so chooses.

Senator JOHNSON. Even if it chooses to operate it?

Mr. LATIMER. Yes. I think the bill probably should have some safeguard against the State just completely escaping all responsibility for the payment of unemployment benefits.

Senator JOHNSON. It costs the States the same amount of money whether they choose to exercise their prerogative on the operation of the bill?

Mr. LATIMER. If they choose not to exercise it, it will cost them nothing whatever. They can just fold up the business of paying unemployment benefits; they can choose to administer the bill and make it less liberal and reduce the expenses very considerably, and yet the people of the State get the same benefits. It leaves the State too much latitude.

Senator JOHNSON. I still do not have the answer to my question.

Mr. LATIMER. It does not cost the State any more money.

Senator KILGORE. The State, by its laws, might save some money.

Mr. LATIMER. It cannot cost the State more money.

Senator JOHNSON. That is the answer I was looking for.

Senator KILGORE. The State could save money by cuttingdown the claimants.

Mr. LATIMER. Mr. Schimmel shakes his head. He says there is something that prevents that.

REPORT FROM MURRAY W. LATIMER REGARDING UNEMPLOYMENT COMPENSATION

Senator MURRAY. Mr. Chairman, the report that Mr. Latimer referred to was received by me this morning too late to be printed in the printed report. I ask that it go in the record at this time.

The CHAIRMAN. It may be admitted.

(The report referred to is as follows:)

UNITED STATES OF AMERICA,
RAILROAD RETIREMENT BOARD,
Chicago, Ill., August 2, 1944.

Hon. JAMES E. MURRAY
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: This is a report in response to your letter of July 17, 1944, on the unemployment compensation provisions of S. 1730 and S. 1893. The draft of S. 1730 is labeled "Subcommittee Print No. 4," dated July 7, 1944; the comments on S. 1893 are based on a printed draft containing revisions up to June 23, 1944, but with further typewritten revisions on pages 33, 35, 40, 48, 50, 57, and 58. Time has not permitted clearance of this report with the Bureau of the Budget.

I. INTRODUCTION

The people of the United States now have before them, for pershap the first time, the possibility of achievement of a firm, enduring prosperity. This possibility is based almost entirely on growing internal markets; on an economy expanding through a continuous improvement in the standard of living of the great majority of citizens.

The factor which has made this possibility susceptible of realization is, in essence, a wholly new one, differentiating the present from all previous times; it is the possession as of the end of the war, by the people of the country, of savings and liquid reserves estimated by Woytinsky to be $250,000,000,000. These reserves will be widely distributed; the Woytinsky estimates, the most complete available, indicate that $20,000,000,000 will be in the hands of farmers, and an amount equal to 2 years' pre-war earnings will be in possession of industrial workers and their families.

This unprecedented command over purchasing power may break the economy of this country if used unwisely; or bring a long and firm prosperity if employed properly. A too rapid rate of expenditure of these reserves, in relation to the volume of available goods, will result in inflation, followed by a collapse. A too low rate of expenditure of reserves, or a continued retention of the whole of the new assets as reserves, may result in almost immediate economic collapse.

What measures are necessary to bring about the orderly expending of reserves? Before answering this question, it may be well to examine certain other factors in the present situation.

II. SALIENT CURRENT ECONOMIC FACTORS

The most important single factor which will influence the development of economic activity in the next several months will be, almost surely, the necessity for the reconversion from a war to a peace economy. Even if that development is not quite so imminent as now appears probable, it will be the dominating factor at such time as the close of the war becomes obviously close at hand. Since no one can foretell with precision when hostilities will cease, whatever measures are taken in preparation for the inevitable ultimate event must be capable of becoming operative on short notice.

Whatever the precise timing may be, conversion will require a far-reaching reorientation of production; factories must curtail very sharply the production of planes, ships, guns, explosives, ammunition, tanks, and a thousand other items, and turn to the manufacture of cars, refrigerators, washing machines, agricultural implements, and typewriters, to construction of dwellings, and to the output of a multitude of other goods and services demanded by a high and, we hope, steadily rising standard of civilian living. This change cannot be accomplished overnight. A factory now making tanks needs different machinery to produce cars or washing machines or farm tractors. While some machines

are useful for many purposes, and while there may be some stores of machines and tools held over from the pre-war period, much new equipment, machinery, and tools will be necessary, the use of which will require considerable readaptation of the plant structures and lay-outs.

It is evident that the process of reconversion will involve some unemployment. Some persons will be idle because they will not be utilized in the reconversion processes themselves; that is, their skills are not such as to make them useful in the building of tools and equipment or in the redesigning of plant and lay-out, and, in any event, the tasks connected with reconversion are capable of absorbing relatively few workers. The limitation of unemployment during the reconversion period can be accomplished only by an orderly scheduling and staggering of the times when plants cease making war products and begin to prepare to turn out civilian goods. If all war plants stop war work within a short period, the rate of unemployment is bound to be high.

The personnel needs of many plants will be different, after conversion, from what they were during the war period. Further, there are some industries which are engaged almost entirely on war production; the airplane, shipbuilding, and subsidiary industries will very likely experience a considerable shrinkage, and many units in the industries may cease production of any sort. But, in any event, a tremendous rearrangement of the labor force will be involved in reconversion. Not only will there be large movements of workers from one occupation to another and between plants and industries but a geographical shifting of workers and their families of substantial proportions may be entailed as well.

While the occupational and geographical shifting of workers in the post-war period may not be quite so large as that involved in the process of conversion of economy from peace to war, the magnitude of the shifts will be substantial.

In August 1941 there were about 221,000 persons engaged in the production of aircraft, an increase of well over 100 percent in a period of a year. In March 1944 there were 1,268,000 persons employed in air-frame, engine, and propeller plants; and there was substantial employment in plants making various parts used in the finished plane, not to speak of those involved in the production of aircraft armament. A movement of 1,000,000 persons from tasks relating to plane production seems probable. The increase of employment in shipyards, has directly at least, been of even larger proportions—from 211,000 in August 1941 (almost double the figure for the preceding August) to 1,656,000 in March 1944. Upwards of a million persons will surely cease in the not far distant future to be engaged in activities relating to the building of vessels. And there will be other industrial shifts of like magnitude, not the least of which will involve a drastic reduction in Federal civilian employment.

Geographical migration is to be expected. In the period between April 1940 and November 1943, the civilian population of the United States declined by over 4,000,000. But there was a gain, despite losses to the armed forces, of over 2,000,000 in the war-boom areas, and losses of over 6,000,000 in other areas. Washington, and the adjacent area in Maryland and Virginia, gained over 250,000; population in the San Francisco area grew by over 370,000, and in the Los Angeles area by over 375,000. Metropolitan Detroit gained almost 230,000; Baltimore, 130,000; and Portland, Oreg., and vicinity, 97,500. Many smaller places gained population at an almost fantastic rate. On the other hand, Metropolitan New York lost over 830,000; Pittsburgh and its environs, over 150,000; and the Scranton-Wilkes-Barre area, 134,000. There have been many losses in smaller cities.

Some of this movement of population represents continuation of trends already in operation. For example, the population of both Scranton and Wilder-Barre and of the counties in which they are located was lower in 1940 than in 1930.

These shifts in civilian population will be equaled, if not exceeded, by that resulting from demobilization of the armed forces. There were over 10,000,000 more persons in the armed forces in April 1944 than in January 1941. The problems of readjustment may be made more difficult by the necessity for reabsorption, into civilian life and work, of several million persons, mostly young men. The G. I. bill of rights will make possible an orderly arranging of this process.

In round numbers, at the end of the war, there will probably be about 66,000,000 persons in our labor force, of whom 11,000,000 will be in the armed services, and about 55,000,000 in civilian activities. Of the latter, perhaps 1,000,000 will be unemployed, 12,000,000 will be engaged in agriculture during the time, at least, when activity in that industry is at a seasonal peak, and 42,000,000 will be engaged in industries and services other than agriculture. Probably the equivalent of from 17,000,000 to 18,000,000 workers will be engaged in war production.

It will not be necessary to provide jobs for 11,000,000 servicemen and 17,000,000 or 18,000,000 workers in war industry in order to maintain full employment. It is now widely assumed that 2,000,000 or 2,500,000 persons will remain in the armed forces. Many people who ordinarily would not be in the labor force are now engaging in employment as a contribution toward the war effort. Hours of work have been considerably lengthened. In April 1944 the average weekly hours of factory workers were 45 as compared with 39 in January 1941. There are substantial numbers of elderly workers who would normally have retired during the last few years but who have remained at work for patriotic reasons. The total number of additional jobs required for employment in civilian work will probably not exceed 15,000,000, if the normal weekly hours of employment do not exceed 40.

The effects of reconversion will be spread in many directions; few workers will escape its effects entirely. No worker will be able to foretell what the effect of reconversion, including the demobilization aspects, will be; he cannot be sure how long his current job will last, what his next job will be, how long he will be unemployed between jobs. He can be sure that the most extensive peacetime changes in economic organization are about to occur; and the reaction to that fact on the part of the typical wage earner will have tremendous repercussions on economic activity.

A second important characteristic of the post-war period will be the cumulation, for a period of years, of shortages in supplies of many important consumers' goods. There are shortages in both durable and nondurable types of goods; and in such basic factors of living as dwellings. The impetus required to translate this unmet demand into employment, into physical goods, and into income disbursements at a high level will for some years probably not be great. A relatively small addition to purchasing power, from a source other than current income, may be sufficient to maintain the income disbursements at a level sufficiently high to maintain full employment.

A third characteristic of the period involved may well be an increase in productivity. It is not to be expected that this productivity will be immediately apparent, because, until full advantage is taken of wartime technological advances in the design of new tools and equipment, and until the individuals become familiar with the process of jobs which are either new or at which they have not worked for some time, the increase in productivity will not be manifest. There may be a period in which there will be an apparent decline in the volume of output per average worker. Improvement in technology may have effects in different directions. On the one hand, it furnishes the technical basis for an increasingly higher standard of living. But on the other hand, it makes possible the reduction of employers' costs through employment of fewer workers. Experience of workers will afford them no basis for anticipating that impending technological change will be consciously directed to any end other than increasing employers' profits; and workers will act accordingly.

While it is indicated at the beginning of this report that foreign markets will not be the decisive factor in our ability to maintain full employment, nevertheless these markets, and particularly relief and rehabilitation activities, may be important for some time after the termination of the war. Both Europe and eastern Asia will have tremendous shortages of goods of all sorts at the end of the war, and will have an almost unprecedented demand for new equipment. It will be to our own interest to supply substantial quantities of both consumer and capital goods to countries devastated by war. Through the United Nations Relief and Rehabilitation Administration already created, and through financial institutions now in process of formation, these needs may be translated into specific demand. This factor is of such a character as to emphasize the possibility of continued high employment, given an initial impetus of small size, provided that that impetus is not canceled out by a tendency of the mass of domestic wage-earning consumers unduly to refrain from spending.

III. The Need for Unemployment Insurance

If a plant that was engaged in the production of guns could begin, overnight, to turn out automobiles, and if a person who was engaged in building ships in California could be certain of finding a job immediately upon his return home to Kansas, the need for special measures with respect to unemployment insurance during the reconversion period might not be very great. But the chances are that neither will happen. While some plants do make products which are usable in both war and civilian pursuits, most do not; and while some workers can find new jobs without delay, an interval of unemployment will be the rule. Wage earners will undoubtedly act, by and large, in the expectation of suffering a long

period of unemployment. The most important function rendered by an unemployment insurance system in the immediate post-war period should not be the payment of benefits as much as extending to workers the assurance of security. All the purchasing power needed to assure a higher level of production has already been distributed widely. In the process of accumulating purchasing power, millions of citizens have acquired the habit of saving rather than spending. Price control has been achieved as much by the wage earners' abstention from spending as by the operation of laws and regulations. It is not to be expected that this habit will be discarded quickly, for workers appreciate both the value of savings, as such, and the effect of an excessive rate of spending. The danger is rather, after having acquired the habit of saving and upon full realization of the lack of security, the new purchasing power may not be properly utilized. If an income be guaranteed irrespective of lack of work, workers can plan orderly use of their purchasing power and, by so doing, make more remote the possibility that the economy will fail to operate at a high level during and after the reconversion period.

The major need for unemployment insurance, obviously, will be during the period of reconversion. If that period is successfully bridged and a new high level of employment is achieved after demobilization, the self-generating forces of prosperity may well operate to maintain a high level of employment for some years if other measures such as compensatory spending for public works, appropriate financing of foreign trade, and the like, are currently maintained.

To say that unemployment insurance will be of major importance in the reconversion period should not obscure the potential value of an adequate system at the present time. The decline in employment in war industries has risen to critical proportions; with the end of the war apparently approaching, many workers feel it essential to protect their security by securing employment in permanent industry. A national service act would not supply what workers feel to be the most crucial present need—security.

IV—Existing Unemployment Insurance Systems and the Post-War Period

An unemployment insurance system designed to meet the needs of the reconversion period will provide benefits which are certain, which are adequate, and under conditions which are easily understood and simple to administer.

Existing systems of unemployment insurance clearly meet none of these three tests. The benefits are far from certain. First of all, there is the multiplicity for the reason of disqualification. Reference is to be made in more detail on this matter in another connection. Second, the large-scale migration of workers across State lines which is likely to continue in the process of rearranging the Nation's labor force, may split the earnings of migrant workers and result in the failure of many to qualify anywhere; partial loss of credits may be even more frequent. Efforts to remedy these defects by interstate agreement have produced no substantial results.

Again, in most States the base year which determines eligibility for and amount of benefits is the first four of the last five completed calendar quarters. If a worker follows a period of covered employment, no matter how long that employment may have lasted, and work for two quarters, he will rarely be able to qualify for more than a single benefit year without additional covered employment. And 18 months of uncovered employment normally precludes any benefits based on previous covered employment, no matter how many years it lasted. Even where a worker does requalify without further employment, his benefit rate will be reduced, as compared with the preceding benefit year, or the duration curtailed, or both.

A fourth reason for uncertainty arises from the limitations on coverage. In a majority of States, employees of an employer having fewer than the specified number of workers is not entitled to benefits. Moreover, such large groups as eleemosynary, educational, and charitable institution employees, domestic servants, agricultural workers, and governmental employees are entirely outside of the scope of these systems. Persons working in both covered and noncovered employment—and there are millions—may seriously jeopardize such unemployment rights as he acquires. Those who work solely in uncovered employment have no rights to jeopardize.

One of the most serious aspects of uncertainty lies in the fact that the coverage and qualifying conditions are so complex that the ordinary worker can never be sure as to what benefit rights he may possess. He may find himself disqualified for an action over which he has no control, such as inability to follow the employment from which he has been receiving wages. Or he may find that his inability

to secure the gasoline, without which he cannot continue his present work, has reduced his benefit rights. Or his base year may have lapsed because he worked at a Government arsenal a few days after the end of the last calendar quarter in which he could qualify to begin a benefit year. And so on and on. In the absence of reasonable assurance that some income will be payable to him during any period of unemployment, the actions of a worker, particularly in the crucial matter of spending, are likely not to be materially different from what they would be if he knew he had no benefits accruing to him at all.

The present unemployment-insurance benefits are totally inadequate. First of all, the benefit rates are too low to produce benefits which will avoid the necessity for reliance on savings in the event of unemployment. In only 1 of the 52 currently operated systems may the weekly benefit exceed $20. On the other hand, in 22 States no more than $15 may be payable. The average weekly benefit currently is less than $14.

To say that benefits will not remove the necessity for relying on savings does not mean that savings are undesirable; on the contrary, savings spent on capital goods are highly desirable. But the danger is that the savings of the current period which represent largely war expendables may continue over as monetary savings not represented by either the expenditure of physical goods or by investment. If all wage earners feel they must maintain their savings in liquid form because of the possible need to provide or supplement income, the dangerous elements in the situation will be reinforced.

Second, the benefits are payable for a relatively brief period of time. In only 17 States is there a flat duration for benefits prescribed, and in only 3 of these is the duration as long as 20 weeks; the railroad unemployment insurance system makes a fourth. In most of the States, benefits may not exceed a certain proportion of wages, a fact which keeps the average maximum duration of benefits payable down to an average of perhaps 13 to 15 weeks. In only 2 of these States is the maximum permissible duration longer than 20 weeks, and in only 6 is it as long as 20 weeks.

If unemployment becomes widespread, average benefits will probably tend to decline from current levels. Current unemployment, though light, is relatively heavily weighted with high-paid workers, such as building trades and mechanics, and low-paid workers have been underrepresented. The current average benefit rates will decline when lowpaid workers become, as they will, much more heavily represented in the unemployed group. Second, the hours of work may be reduced for some period before unemployment becomes widespread, thus reducing base-year earnings from present levels. Third, if unemployment is of long duration, the amounts of benefits for a second benefit year, even eliminating those who failed to requalify at all, will certainly average lower than at present. For these reasons, unemployment benefits under existing systems will tend to become less adequate in a period of severe unemployment.

Present systems are not simple; on the contrary, they constitute collectively by far the most complex response to a social problem which the human mind has yet devised. It is inconceivable that one out of every thousand employees has any idea whatever as to what his unemployment insurance rights may be, if any. The proportion of employees having service under two or more laws who had some precise knowledge of rights under each of such laws would be so small as to be infinitesimal. The complexity of the system creates burdensome administrative problems, makes inevitable differences in adjudicative results in identical situations, produces unnecessary inequities, and reenforces the uncertainty and inadequacy of the existing laws. Whatever may be the merits of State systems in adjusting the idea of unemployment insurance to local needs and conditions, this complex morass of law, rule, regulation, and practice can serve no good purpose in a period of critical importance for the future of this country.

V. THE UNEMPLOYMENT-INSURANCE PROVISIONS OF S. 1730 AND S. 1893

A. *S. 1730.*

The unemployment provisions of S. 1730 (Committee print No. 4; secs. 304–312, inclusive) may be summarized as follows:

1. A Federal unemployment reinsurance account in the unemployment trust fund is created and appropriation thereto of (*a*) past and future excesses of Federal unemployment taxes over unemployment administrative expenditures, and (*b*) such other funds as may be necessary to carry out the purposes of the unemployment insurance provisions, is authorized:

2. A payment will be made to a State, from the reinsurance account, if and when the State balance in the unemployment trust fund at the end of any calendar quarter after March 31, 1945, is less than the contributions in the preceding year. The payment will be the amount by which State unemployment payments in the preceding quarter exceed 2.7 percent of the taxable pay rolls;

3. A new condition is attached to the grant of unemployment insurance administrative funds to States: A State, in order to qualify for receipt of unemployment insurance administrative grants on and after July 1, 1945, must agree, on condition of reimbursement by the Federal Government, to pay unemployment benefits to Federal civilian employees on the same terms and under the same conditions as benefits are paid to workers directly covered by the State unemployment-compensation law.

4. Effective July 1, 1945, four new standards which State unemployment-compensation laws must meet in order to avoid operation of the sanction of withholding of unemployment administrative grants are added to title III of the Social Security Act:

(*a*) Coverage exclusions based either on the amount of pay roll or number of employees are eliminated;

(*b*) A uniform duration of 26 weeks of benefits for total unemployment in a benefit year, or an equal amount in benefits for partial or part-total unemployment, is prescribed. Benefits cannot be reduced below 26 weeks by the commonly used device of canceling benefit rights;

(*c*) A mandatory maximum weekly benefit of not less than $20 plus $5 for each of not more than three dependents is fixed;

(*d*) A mandatory weekly benefit amount is fixed at 75 percent of "weekly wages." Weekly wages are defined as the wages in the period used for the wage base under State law divided by the number of weeks in the period less, if the wage base period be other than a quarter, the number of weeks of unemployment;

5. Prior to July 1, 1945, the States may make benefit payments on the basis of the above standards, as agents of the United States, if payment under the State law be not denied to any eligible person by reason of benefits in excess of current State rates. The Federal Government would reimburse the States in advance for amounts in excess of those payable under the laws of the several States;

6. The Social Security Board is authorized to enter into agreements with the States to carry out the provision, mentioned above, by which the States would pay unemployment benefits to Federal civilian employees;

7. Determinations of entitlement made by a State agency with respect to benefits awarded or denied as agent of the United States will be subject to such administrative and judicial review as is provided in the State unemployment compensation law;

8. The Social Security Board will certify, and the Secretary of the Treasury will pay, amounts due to States by reason of benefits paid a State as agent of the United States or to Federal civilian employees;

9. Appropriation of the funds required for the above purposes is authorized;

10. The benefits under the Railroad Unemployment Insurance Act are increased by $5 per week per dependent, up to $15 per week;

11. The above provisions are operative only to the end of the second year after termination of hostilities.

B. *S. 1893.*

Sections 409 to 412, inclusive, and subsections (g) to (o), inclusive, of section 501, and sections 502 and 503 of S. 1893 (draft of June 23, 1944, revised) contain the provisions pertinent to unemployment insurance. These may be summarized as follows:

1. The Federal Government undertakes to place every unemployed qualified employee in suitable employment, or, failing in the effort to accomplish such placement, to pay interim placement benefits to such employee of from $12 to $35 per week and in proportion for partial unemployment, the exact amount depending upon the amount of wages in the base year. Unemployed ex-servicemen would receive $20 per week if they had no dependents and $5 extra for each dependent to a maximum of $35 per week;

2. Every State must be afforded opportunity to participate in the administration of the interim placement benefits. A State must be permitted to participate in the administration of placement benefits if it agrees to (*a*) receive all claims for such benefits; (*b*) adjudicate such claims in accordance with Federal regulations; (*c*) pay such claims as are found payable, subject to reimbursement by the Federal Government for amounts paid in excess of the amount which would be payable under State law; (*d*) find the reimbursement arrangement fair and reasonable under State law. The Railroad Retirement Board and the Unemployment Compensation Board of the District of Columbia are directed to participate in the

administration of interim placement benefits. In the event a State does not agree to participate in the administration, the Federal Government will make direct administrative arrangements;

3. The Federal Government will pay the State administrative costs incurred by reason of participation in the administration of interim-placement benefits;

4. A qualified employee is a person who (i) after September 16, 1940, served in the armed forces of the United States and was discharged or released from active service under conditions other than dishonorable; or (ii) since the beginning of the calendar year preceding the calendar year in which he first applies for benefits he received wages of not less than $150;

5. Creditable wages include all remuneration from employment except (*a*) service for a foreign government or instrumentality thereof; (*b*) domestic service; (*c*) service performed for a son, daughter, spouse, or service by a child under 20 for his mother or father;

6. Unemployment is defined in terms of a "day of unemployment," which means a day on which a person is able to and available for work and with respect to which no remuneration in excess of 50 cents is payable or accrues to him, except that there may be 7 "days of unemployment" if, the other tests being met, no remuneration in excess of $3 is payable or accrues during 7 consecutive days;

7. No day can be counted as a day of unemployment by an applicant for benefits unless such applicant is seeking employment, as evidenced by maintenance of an active registration at a public employment office. A Sunday is not a day of unemployment unless it be the last day of a week not followed by a day of unemployment. Annuities, under the Railroad Retirement or Civil Service Retirement Acts, or title II of the Social Security Act, or various allowances for veterans are not to be duplicated by interim-placement benefits;

8. Disqualifications for not to exceed 5 weeks are to be imposed for (*a*) failure to accept suitable work or to report for work or to an employment office; (*b*) a proper discharge or suspension for misconduct related to an applicant's employment; (*c*) leaving work voluntarily, without good cause; (*d*) if directly interested or participating in a strike, or belonging to the class or grade of workers affected, unemployment due to a stoppage of work because of a strike; (*e*) knowingly making or causing to be made a false or fraudulent statement for the purpose of causing benefits to be paid;

9. Standards with respect to "suitable work" and "good cause" adapted from the Railroad Unemployment Insurance Act are prescribed;

10. The Administrator is to fix the procedure for claims adjudication and administrative appeals from initial determinations;

11. The right of appeal to the Federal district courts, and review of decisions therein by higher Federal courts, is guaranteed;

12. Criminal penalties are provided for persons convicted for refusal to make reports called for by the statute, or for making or causing to be made, or aiding in making, false or fraudulent statements for the purpose of causing benefits to be paid;

13. These provisions cease to operate 2 years after the termination of the war.

VI—COMMENTS ON S. 1730 AND S. 1893

A. *General.*

The general objectives of both bills seem to be largely the same insofar as unemployment insurance is concerned. Both would extend coverage, extend duration of benefits, continue the United States Employment Service as a nationally operated agency for 2 years after the war, and would pay transportation expenses involved in moving war workers in the course of securing employment for them. S. 1893 directly and S. 1730, in intent, at least, would increase the rates of benefits above current levels.

But the means chosen for the accomplishment of these objectives differ. S. 1730 would operate by prescription of certain limited Federal standards to which the States must conform in order to secure administrative funds. S. 1893 would create a temporary system of Federal unemployment insurance in the administration of which the States could participate to the extent of their desire and ability. In S. 1730, the failure of State action will cripple the plan; in S. 1893, failure of State action means Federal action.

B. *S. 1730.*

In my judgment, S. 1730 fails to meet the tests of certainty, adequacy, and simplicity which are basic in the evaluation of any system of unemployment insurance. At best, it proposes to make no change in the existing provisions with respect to qualifications and disqualifications for benefits, save only the

elimination of cancelation of benefit rights as a method of disqualification. Assuming, however, for the moment that these provisions are not changed, except in the one respect, there is left the same uncertainty with respect to qualifying as exists under present legislation. A worker whose employment is divided among several of the States will fail to qualify to precisely the same extent after S. 1730 is enacted, as is the case at present; in particular, the requalification of employees after having been unemployed for a period would not be made easy. As has been indicated in connection with the current laws, the use of all previous employment but the last completed and the current uncompleted quarter at the time of the beginning of the benefit year makes requalification uncertain; and more times than not will reduce the benefit rate upon requalification. This defect in current legislation is not touched by S. 1730. The major disqualifications will operate as before.

S. 1730 makes a substantial contribution toward the solution of the problem of limited coverage. Coverage exclusions based on size would be eliminated; Federal and maritime workers would be placed under the jurisdiction of the laws of the several States. Coverage exclusions based on the type of activity in which the employer is engaged, except as indicated, remain as before.

I question, however, the desirability of subjecting any Federal workers to State laws; adoption of such a policy with respect to hours, salary standards, compensation for work injuries, vacations, sick leave, and other similar personnel standards could seriously interfere with the operation of the Federal Government. I am convinced that the deep-sea branch of the maritime industry is not susceptible of effective coverage under State laws.

The rate of benefits under S. 1730 would be materially improved as compared with present rates if the present practice of basing benefits on the earnings in that quarter in the base year in which such earnings are highest is continued. But even if present legislation be continued without change, adequacy in all cases will not be produced. The formula under S. 1730, applied to a wage base and resulting in a $20 weekly benefit under most State laws, would produce $10.50 in North Carolina, $14 in Minnesota, and $11.50 in West Virginia.[1] But while we may say that the benefits would be less inadequate than at present, if States maintain their current wage bases and make no other restrictive change, that is not saying that they would be adequate. With the enormous impending changes in the disposition of our labor force, with the possibility of great further technological advances, no worker could feel secure if his benefits were to be payable for only 26 weeks. The importance in his mind of keeping his personal reserves intact and available for what to him must be an alarming possibility would not be substantially diminished.

Nor would the complexity of State laws and State administration be materially reduced by the enactment of S. 1730. Certain uniformity of formulas might result, though not necessarily; and the duration of benefits in a benefit year would probably have at least the appearance of uniformity. But one may fairly summarize the extent to which the complexities are reduced by pointing out that the summary of State laws which now requires more than 200 pages, might possibly be reduced by as much as 20 pages.

But it is by no means certain that even these minor gains would be made under S. 1730. If these gains were made, an increase in employer contributions at the full 2.7 percent rate would almost surely be required. Were there to be a choice as between (i) increasing employer contribution rates to 2.7 percent of pay roll and (ii) increasing them to the level just sufficient to defray administrative expenses (the loss of the latter from the Federal Government being the sole consequence of failure of a State to accept the standards), the weight of employer opinion might conceivably lean toward rejection of the standards.

But it would be unnecessary to reject the standards in order to keep employer contributions at a low level. There are many other ways in which the same result could be achieved. Benefit costs can be held at the present level, or even reduced by incorporation in the State laws of any one or more of the following devices, none of which would be in conflict with any standard incorporated in S. 1730: (*a*) Higher wage or longer qualification requirements; (*b*) longer waiting periods; (*c*) use of wages in the whole base year or in the lowest quarter therein as the wage base; (*d*) longer disqualification periods; (*e*) elimination of benefits for partial unemployment; (*f*) narrow definition of unemployment; (*g*) measurement of unemployment on a fixed-week basis; (*h*) payment of benefits to seasonal

[1] Assuming unemployment to begin on, say, July 1, 1945, these results would be produced by earnings of $390 and $338 in the first 2 quarters of 1944, with employment and uncovered employment in the last half of the year, and earnings of $350 and $325, respectively, in the first 2 quarters of 1945.

workers only in the usual work season, narrowly defined; (*i*) imposition of requirement that applicant be available for work in the State in which he claims benefits; (*j*) imposition of a requirement that an applicant be available for work of the character for which he had previously received wages; (*k*) lowering standards for suitable employment.

It is unnecessary to elaborate on what might be done under State laws by the use of these several benefit avoidance devices. A few examples may, however, make the matter clearer. Generally speaking, an employee under a State law who earns in covered employment from $150 to $250 and is employed in at least two quarters, can, if he becomes unemployed within, say, 6 months after his last covered employment, qualify for benefits even though they may be a mere pittance. An earnings requirement of $1,500 or even more would probably eliminate half of the unemployment payments and would not be in conflict with any standard in S. 1730. Most States have a 1 or 2-week waiting period, beginning with the start of unemployment, before benefits are paid an individual worker. A waiting period of 15 weeks, which would probably cut benefits by from 25 to 50 percent even in times of considerable unemployment, would not conflict with any standard in S. 1730.

A cancelation of benefit rights by way of disqualification is prohibited by S. 1730; but a postponement of benefits is not. Most postponements of benefits presently run for 8 weeks or less. There is nothing in the bill to prevent the imposition of disqualification periods to 20 weeks. Almost all States now pay benefits for partial unemployment. S. 1730 would permit a definition of unemployment so rigid that the receipt of a penny of remuneration for services during a week would make such a week not a week of unemployment, and no benefits need be payable.

The majority of the States now base the benefit rate on wages in the "high quarter," that is, the quarter in the base year in which the wages are highest. There is nothing in S. 1730 to prevent making the wage base the "low quarter," that is, the quarter in the base year in which the wages were lowest. It is possible that the bill would preclude the use of a quarter in which there were no wages as the wage base; if so, this would be by implication rather than by direct prohibition. One might multiply these examples, but what has been said is sufficient to make the point that S. 1730 makes for neither certainty or adequacy of benefits nor for simplicity of administration. The end result could well be even more uncertainty than at present, even less adequacy, and far more complexity.

C. *S. 1893.*

The bill S. 1893 provides for a system of benefits under which, for its life, substantial benefits are guaranteed to a person who is genuinely unemployed and is seeking work. Its application would be uniform throughout the United States. Its terms are simple. It would be the simplest unemployment insurance system among the more than 50 operating in the United States. Except for domestic services, work as an employee in no major activity would fall outside its scope.

S. 1893 makes provision for the full utilization of all existing machinery for the handling of unemployment insurance payments. The use of State machinery against the will of the State will, of course, not be contemplated. Whatever arrangements are provided would be purely voluntary, but the failure of the State to agree would not mean the failure of the Federal legislation to be effective, as would be the case in S. 1730.

The enactment of a new system will create some complexity. Any transition from a complex situation to one which is simple is itself complex; unfortunately, simplicity is to be achieved in no other way. S. 1893 may result in some duplication of administrative machinery; such need not be the result. The duplication will result from failure of some present agency to act; the alternative is, of course, to permit nothing to be done. It seems to me that the great merit of S. 1893 is that it proposes to get a job done. In a situation in which security of wage earners is of paramount importance, the Federal Government cannot experiment with failure.

The type of system contemplated in S. 1893 would have other advantages over S. 1730. The Employment Service is now operated on a national basis, and it is inconceivable that during the war period effective operation could be maintained on any other basis. National operation will be equally as important in the postwar period when further great shifts in the labor force must be achieved as expeditiously as possible. The employment service in the State of California, which may have a surplus of workers running into hundreds of thousands, if not millions, will be wholly ineffective to cope with the problem. The employment services of almost every other State must be brought into play. Maintenance of a uniformity

of policy, effective centralized direction, and the ability to shift employment service personnel from one point to another is essential. This effectiveness cannot be achieved if there are 52 employment services rather than a single unitary system. It is highly desirable that unemployment insurance be administered with the closest possible connection with the placement service. This is true both because it is more desirable for a man to have a job than to receive unemployment insurance, and because application of the work test is an essential part in determining eligibility for the receipt of benefits. The employment service on a Federal basis would be more effectively operated with unemployment insurance on a Federal basis than if one is on a Federal and the other on a State basis. These difficulties have not been important in a period when unemployment was not occurring in large volume; but difficulties there have been, and they will be multiplied in a period in which some transitional and frictional unemployment is inevitable.

The requirements of security and adequacy necessitate the payment of benefits on the basis of wages which are not arbitrarily divided between the States. The Federal Government is in possession of the largest record of wages in existence in this country, and its records make no distinction between wages earned in Maine and those earned in California, or those earned in Washington or in Florida. Administration on a Federal basis can be tied in more closely with this unparalleled wage record than would be possible if each State is handled as a separate unit, as would be the case with S. 1730.

I have no doubt that S. 1893 is susceptible of material improvements. Its most important defect is that it leaves open the possibility, perhaps encourages the deliberalization of State laws. That defect can be remedied by making maintenance of the present provisions a condition of State participation in administration.

In this connection, it may be said that a major criterion of new unemployment insurance legislation is the extent to which State reserves are drawn upon. I think the criterion invalid. When unemployment-insurance payments exceed contributions, the source of the payments, whether the unemployment trust fund, in the first instance, or the Federal Treasury, will have no bearing on the basic economic situation. The Federal interest-bearing debt, in the hands of investors, bank deposits, secondary reserves, and so on will be identical—if one assumes that the benefit payments will be the same under either procedure. It is the basic thesis here, of course, that much smaller benefit payments would be required under S. 1893 than under S. 1730, in the absence of a complete gutting of State laws a possibility unfortunately not foreclosed.

Benefits under S. 1893 may occasionally be greater than wages; I cannot think this a serious matter if the occurrence is infrequent. The State unemployment compensation staffs will have to become familiar with new risks; but the task would not be either large or difficult. The limitation of employment to the United States should be broadened; and there are other matters which I should like to study further.

VII. CONCLUSION

I cannot avoid the conclusion that the unemployment-insurance provisions of S. 1893 are much to be preferred, for the reasons set forth, to those of S. 1730. The provisions of S. 1893 are not perfect, but they at least contemplate a movement in what I believe to be the right direction.

Because of conditions over which I have had no control, this report has had to be rather hastily prepared. I have thought it of first importance to deal with principles; and the time available has not permitted a discussion of minutiae. But if agreement can be reached on the principles, the details of the legislation could be worked out with great speed.

Two other matters caused by the time limitations may be mentioned. It may appear that I have overemphasized the role of unemployment insurance in the reconversion period and given the impression that no other measures are required. I had hoped to write another section outlining in more detail the relationships between unemployment insurance and various other economic stabilizing and incentive devices. Time has not permitted me to carry though that idea. Second, there has not been any opportunity to discuss this report with my colleagues in Chicago; it is, therefore, written in my individual capacity as Chairman of this Board.

Respectfully submitted.

MURRAY W. LATIMER.

The CHAIRMAN. Are there any other questions, gentlemen?

Senator HILL. Mr. Latimer, did you suggest any particular language?

Mr. LATIMER. I suggested this language here as to the condition under which the State must operate.

Senator HILL. Did you suggest any particular language?

Mr. LATIMER. I do not believe I did suggest language. No, sir, I did not suggest language, I merely show that possibility. I see Mr. Schimmel disagrees with me.

Senator HILL. Mr. Schimmel says on page 34, line 13, the suggestion was "under such law" at the time of the enactment of this title. In other words, tied down to what the status is at the time we enact this legislation, so the State cannot come along afterward and put the whole burden on the Federal Government, excepting that which they are really doing today.

Mr. LATIMER. It would have to be done by way of indirection. The Federal Government cannot compel the State to pass this legislation or not pass it, it must be by some method of indirection.

Senator REVERCOMB. Will it require legislation on the part of the State to bring itself into this proposed bill, to participate, to act under the Federal Work Administrator? I take it it would require such legislation.

Mr. LATIMER. I am not sure that it would. I think that is something that will have to be put up to the attorney general of each State.

Senator KILGORE. There are provisions under the social security law where the State would act as agent.

Mr. LATIMER. There is one matter on which a question has been raised. Most State laws prohibit the payment of unemployment insurance benefits to a person who is also receiving payments under Federal law. If the State pays $15 normally, or $20, and under this law there should be paid a total of $30, making a supplemental State payment of $10, there may be a question as to whether the State should pay the original $20 because of the receipt of the $10. However, there are those who think that is not a fundamental difficulty.

Senator KILGORE. I do not think there is any difficulty there.

Mr. LATIMER. If you can do it in West Virginia they can do it in any other State, I am sure, because on that point most of the laws are substantially identical.

Senator HILL. I just had my attention called to the language on page 30, line 19, which provides for the right of appeal. It would seem under that language, as I read it, that the final say in this thing would be with the Federal Work Administrator. Is that right?

Mr. LATIMER. There could be an appeal to him.

Senator HILL. There could be an appeal to whomever he should designate. It says:

> Each person whose claim for benefits has been denied, in whole or in part upon an initial determination whether by the Retraining and Reemployment Administration, by a State, by the Railroad Retirement Board, or by another Federal agency participating in the administration of "interim placement benefits" by arrangement with the Work Administrator, shall be granted an opportunity for a fair hearing thereon before such appellate tribunal as the Work Administrator may by regulation establish.

In other words, that tribunal would be over your Railroad Retirement Board.

Mr. LATIMER. That is correct; yes, sir.

Senator AUSTIN. Mr. Chairman, let me call attention to another element in that same subsection (c) which answers the question directly. It is in lines 10 to 13 on page 30:

> The Work Administrator is authorized and directed to make findings of fact with respect to any claim for benefits and to make decisions as to the right of any claimant to benefits.

Mr. LATIMER. Those would necessarily be delegated to the State under the preceding language, but they are subject to such rules and regulations. That can be changed to the form of the G. I. bill, where the tribunal is constituted as the regular appeal tribunal of the State. That is what is provided in the G. I. bill. The question there is, however, to which court you go. If you go to the State appeal tribunal you presumably go to the State court and you begin to have definitions in State court interpretation.

The CHAIRMAN. Under the language of this bill a person appealing from the State would appeal directly to the national Administrator?

Mr. LATIMER. Finally get into the Federal court, if he wanted the court to review his right, rather than go to the State court.

Senator AUSTIN. On page 32, lines 5 to 8. [Reading:]

> Final decision of the Work Administrator of the decision of any appellate tribunal shall be communicated to the claimant and to other interested parties within fifteen days after it is made.

Senator HILL. Now, Mr. Latimer, let me ask you this. It is another confirmation of the final authority being in the Work Administrator. Under our social-security system, is the final appeal to the Social Security Board?

Mr. LATIMER. Not under State unemployment compensation laws; no, sir. There are various types of appeals there. Administrative appeals may be within the agency, they may be outside appeals boards, but they are always in the State court. The Federal Government as such does not take a hand in any controversies under any State law, to my knowledge.

Senator KILGORE. Of course also the State arbitrarily may refuse to pay and the Federal Government has no protection against the payment of a fair amount unless there was an appeal to a Federal agency to determine whether they were just in refusing to pay their share under the unemployment compensation feature, so the Government would not be penalized an unfair amount.

Mr. LATIMER. On the other hand, the State may have an equal grievance, to compel the Federal Government to pay its share.

Mr. SCHIMMEL. Only to pay the difference.

Senator KILGORE. If he finds, however, that the State should pay $15 a week and the unemployed man is entitled to $20, the Federal Government pays the $5.

Mr. LATIMER. This is what would happen: The Federal agents could only determine the man was entitled to $30; if the State says, "We do not owe him any part of it," then that is the decision by the State. The Federal Government has to pay the whole thing. I do not see how you can take away that decision from the State under all circumstances.

Senator HILL. Anybody who is familiar with the George bill knows that under that bill there is no uniformity, as far as these payments are concerned, with respect to the different States. I mean each State just pays whatever it is now paying or might see fit to pay.

Mr. LATIMER. That is right.

Senator HILL. All the world that bill does, then, is simply provide if the State needs it, the State can come in and get a loan. Is that your understanding?

Mr. LATIMER. That is my understanding, yes.

Senator REVERCOMB. And it covers Federal employees.

Senator HILL. Yes, sure.

Senator KILGORE. Here is a Federal employee working in the navy yard in one State which pays a low benefit, and here is another Federal employee working in a navy yard just across the State line who gets an entirely different benefit, and the Government pays different benefits to employees doing the same job throughout the States, so there is no uniformity.

Senator HILL. Of course there would not be any uniformity to any of the workers under the bill. A man in Alabama might get less than a man in Tennessee.

Senator KILGORE. That is correct, all paid out of the common fund. Of course I will be frank with you gentlemen. The reason I brought in this title is this: In the initial state of this bill we started out on the 80 percent basis. Because of the peculiarities of earnings, the computation of payments was almost an impossibility. We tried to work out a table that was as close to that 80 percent as we could come. There are bound to be a few deviations on that 80 percent. Also a man who is not going to be refused a job that pays him $12 a week under the minimum wage and maximum hour law, he gets himself into that status automatically, and if he refuses to accept a job he is just out of luck.

Senator JOHNSON. How do you adjust between a farm laborer who receives part cash and part maintenance, and a factory worker who receives all cash?

Senator REVERCOMB. The bill provides anything of value.

Senator JOHNSON. That would include board and lodgings?

Senator REVERCOMB. Yes.

Senator MURRAY. I do not know if the committee understands that, in the subcommittee's printed report, we have incorporated the report from General Hines discussing the matter that you are talking about now, and also the report from the Social Security Administration. These both appear in the appendix to the report. We have incorporated the report from Mr. Latimer in this record, and we would have incorporated it in our report if it had been received in time. I want to call your attention to these two reports that are printed in the appendix to the subcommittee's report so you may understand their attitude on the title you are discussing now.

Senator KILGORE. Now, Senator Murray, on this bill reported out, recommended for passage by your subcommittee, page 24, line 13, in order to answer the criticism there, striking out the words "Work Administrator" and substituting the words "agency administering the law," would not that answer the objections?

Senator MURRAY. Page 24?

Senator KILGORE. Page 24, line 13.

Senator REVERCOMB. What difference, Senator, would that make?

Senator KILGORE. On page 25, and on page 8, line 9, it would give to the State the authority, if they elected to administer the balance of it, it would give the State the right to determine what should not be considered unemployment under the rule laid down, rather than

leaving it up to the Work Administrator. In other words, let the agency administering the benefits, if they found anything unfair about this "suitable work available," or the refusal to report to the person, let the agency administering the benefits determine that. Strike out the words "Work Administrator."

Senator MURRAY. That would obviate the objections or criticisms made by the Social Security Administration and by General Hines.

Senator KILGORE. Yes.

Senator HILL. What is that language, Senator?

Senator KILGORE. Page 24, line 13, strike out the words "Work Administrator" and substitute the words "agency administering the benefits." That, for instance, would leave up to the Railroad Retirement Board and their subagencies the right to determine whether a man had accepted employment under the rules laid down in here.

Senator REVERCOMB. What is your next change?

Senator KILGORE. Page 25, line 9, the last two words, "Work Administrator."

Senator REVERCOMB. The same language?

Senator KILGORE. The same language. I think that will satisfy that one objection made by General Hines.

Senator MURRAY. There are other corrections General Hines made also.

Senator KILGORE. I am not referring to those.

Senator GURNEY. Mr. Chairman.

The CHAIRMAN. Senator Gurney.

Senator GURNEY. There are some of us here who have not had a chance to look at these bills. I find myself unable to consider them at all, because I have not had a chance to study them. I believe it would expedite matters if we could take a recess of a sufficient length of time to read them at least, study the reports, the majority report and the minority report, and also to acquaint ourselves with the provisions of the bill that has already been reported by the Finance Committee. I just make that as a suggestion, not as a motion. I find myself unable intelligently to consider anything. It is hit and miss here, jumping from one part of the bill to the other.

The CHAIRMAN. Any comments upon that suggestion?

Senator KILGORE. Mr. Chairman, I think we must get something out of this committee by Tuesday. We should try to get it on the floor this afternoon.

The CHAIRMAN. What do you think to taking a recess until 2 o'clock this afternoon?

Senator KILGORE. We would not be able to get it on the floor unless we get a motion to file it this afternoon. I would like to get this bill or a bill reported out of here to the Senate today.

Senator GURNEY. You do not expect those of us who have not had a chance to read the committee report to be able to decide by that time?

Senator KILGORE. I want to do it if we can. I would like to have an opportunity to get it on Tuesday's calendar.

Senator GURNEY. You do not expect us to vote yes or no on a bill that we have not had a chance to read?

Senator AUSTIN. I would like to ask Senator Murray a question. I have a committee print dated August 2, relating solely to title III, Manpower Demobilization and Reemployment.

Senator MURRAY. That is offered as an alternative, to be considered in case the committee does not accept the provisions here on the unemployment compensation provision in the unnumbered bill.

Senator AUSTIN. Then this is a live matter to be studied, is it?

Senator MURRAY. Yes, that is to be considered by the committee as a substitute for the provisions in the unnumbered bill in case they find that they cannot agree on the unnumbered bill provisions.

Senator AUSTIN. Are Senators Kilgore and Murray in accord about title III of the unnumbered bill dated August 3?

Senator KILGORE. I think there is no difference in the two bills.

Senator MURRAY. There is practically no difference.

Senator AUSTIN. Then on this subject we have three proposals to study, have we, namely: first, this committee print No. 3, title III; second, the committee print dated August 2, 1944, limited to title III; and the George bill that was reported?

Senator MURRAY. That is right.

Senator AUSTIN. If we get acquainted with those three, we will have all that is before us at this time, is that right?

Senator KILGORE. That is correct, and S. 1893, of course.

Senator AUSTIN. I want to know how far S. 1893 is still open.

Senator KILGORE. It has been reported out also.

Senator HILL. As I understand it, the main difference between S. 1893 and this subcommittee print No. 2 is a structural difference, and of course the elimination of the surplus property proposal.

Senator KILGORE. The substitution of a housing program and the elimination of surplus property.

OUTLINE OF THE UNNUMBERED BILL

Senator MURRAY. That is right. I have also prepared here an outline of the bill as reported, the unnumbered bill, just a brief synopsis of it, which I would like to have included in the record.

The CHAIRMAN. It may be included.

(The outline of the bill referred to is as follows:)

OUTLINE OF THE UNNUMBERED BILL AS REPORTED BY THE SUBCOMMITTEE

TITLE I—GENERAL PROVISIONS

Establishes the Office of War Mobilization and Adjustment, headed by a Director (sec. 102 (a)), and a Division of Programs and Projects, headed by a Deputy Director (sec. 102 (b)), both to be appointed by the President, with the advice and consent of the Senate.

The Director, with the assistance of the Deputy Director, is to:

1. Formulate post-war plans.
2. Issue directives to other Government agencies on such plans.
3. Where necessary recommend legislation to give additional powers to agencies to carry out plans.
4. Keep each Government agency informed of plans of other Government agencies; settle controversies between Government agencies.
5. Study elimination of war agencies or reestablishing some of them on a permanent statutory basis.
6. Bring all governmental manpower functions into the Department of Labor.
7. Review and eliminate regulations which hinder full employment and are no longer necessary for war purposes.
8. Consult with State and local governments, industry, labor, and agricultural groups.
9. Submit quarterly reports to Congress.

The Director is to be a policy making and not an operating agency and to perform duties primarily through existing agencies (sec. 102 (d)).

The National Production Employment Board is created as an advisory body, consisting of three representatives each of industry, labor, and agriculture, and one public member who is to be Chairman. All members to be appointed by the President with the advice and consent of the Senate (secs. 103 (a) and (b)).

The Deputy Director is to serve as executive secretary of the Board, is to assist the Board in discharging its functions (sec. 103 (c)) and is to supply the Board with an adequate staff (sec. 103 (g)).

The Director is to consult with other Federal officials at least once a month (sec. 13 (d)) and all Federal agencies are to consult with joint councils to be formed in different areas, consisting of industry, labor, and where appropriate, agriculture representatives.

A special congressional Joint Committee on Mobilization and Adjustment, and consisting of four Senators and four Congressmen, is created for the purpose of studying the need for mobilization and demobilization legislation and reports of the Director, and obtaining expeditious action on such legislative proposals (sec. 104).

TITLE II—INDUSTRIAL DEMOBILIZATION AND RECONVERSION

War contracts are not to be continued for the purpose of providing unemployment (sec. 201).

In order to synchronize the curtailment of war production with initiation of civilian production, the contracting agencies shall continuously survey their requirements. Initiation of civilian production shall be permitted to the extent that materials and manpower are no longer needed for war purposes.

Newcomers to an industry shall be permitted to engage in civilian production just like established concerns, and no concern shall be compelled to postpone resumption of civilian production until its competitors are likewise able to resume civilian production (secs. 202 (a) and (b)).

The Chairman of the War Production Board is to establish a Production Adjustment Committee consisting of representatives of the principal procurement agencies—Smaller War Plants Corporation, etc., to aid him in establishing policies for the selection of contracts for curtailment and discharging other functions under the act (sec. 202 (c)).

Specific provisions are made to insure that small plants may secure scarce materials during the period of reconversion (sec. 203).

The Attorney General is directed to make surveys of factors which eliminate competition and injure small business (sec. 204).

TITLE III—RETRAINING AND REEMPLOYMENT

The Retraining and Reemployment Administration, headed by a Works Administrator, is created to establish a unified reemployment program. He is to perform his duties through existing agencies and issue directives to them to achieve full employment (secs. 302, 305).

A Committee on Retraining and Reemployment is created consisting of representatives of the Labor Department, Veterans' Administration, War Manpower Commission, War Production Board, Selective Service System, Civil Service Commission, War and Navy Departments to consult with the Works Administrator (sec. 303).

The War Production Board and the Director of Selective Service are to furnish information to the Works Administrator to enable him to achieve full employment.

The Work Administrator may pay the cost of transportation of workers and ex-servicemen from their last previous residence to their new jobs (sec. 306 (a)).

The United States Employment Service continues for 2 years after cessation of hostilities to be federally operated (sec. 306 (b)).

The Work Administrator may provide vocational training and each person receiving such training shall receive $50 a month if he has no dependents, $75 if he has one dependent, and $100 if he has two or more dependents (sec. 307).

The Mustering Out Payment Act of 1944 is amended to provide for $100 installment payments if the veteran has no dependents, $125 if he has one dependent and $150 if he has two or more dependents. All veterans are entitled to two installments plus an additional installment for each year of service, and any person who served outside of the United States is entitled to a further additional installment (sec. 308).

Every unemployed qualified employee is entitled to interim placement benefits, ranging from $12 per week (if his total wages in the base year amounted to $150), up to $35 per week (if his wages amounted to $2,400 and over). Ex-servicemen

are to receive not less than $20 if they have no dependents, $25 if they have one dependent, $30 if they have two dependents and $35 if they have three or more dependents (sec. 409). Specific provisions are made as to when a person is not entitled to receive unemployment compensation, as in the case of misconduct, leaving work without good cause, etc. (sec. 409 (d)).

The act specifies what work shall be deemed suitable or unsuitable (sec. 409 (f)).

The Work Administrator shall afford the States an opportunity to administer the interim placement benefits provided for in the act, but if a State does not so elect, the Work Administrator shall administer the payments himself (sec. 310).

The Railroad Retirement Board and the District of Columbia Unemployment Compensation Board shall participate in the administration of interim placement benefits.

The Work Administrator is to establish appellate tribunals to decide cases where claims for interim placement benefits have been denied.

TITLE IV—HOUSING AND PUBLIC WORKS

The National Housing Agency shall analyze national housing needs and develop programs for meeting such needs through private housing and through research and technical assistance given to private housing (sec. 401).

The Federal Works Administration may make loans to States and local governments for the purpose of allowing them to draw up plans for public works (sec. 402).

TITLE V—GENERAL PROVISIONS

This title contains definitions of the terms used throughout the act (sec. 501).

It provides that when the Director of War Mobilization and Adjustment is first appointed, the Office of War Mobilization, established by Executive order, shall cease to exist and all records shall be transferred to the new statutory office (sec. 505).

All orders and directives of the Director of War Mobilization, not inconsistent with the act, shall remain in full force and effect (sec. 506).

Short title of the act: "War Mobilization and Adjustment Act of 1944" (sec. 507).

ERRORS

Title I and title V are both labeled "General Provisions."

Senator AUSTIN. Then there is title IV in addition.

Senator KILGORE. You must understand, Senator, title III of the unnumbered bill is the same as title IV of S. 1893.

Senator AUSTIN. Is it exactly the same?

Senator REVERCOMB. Is it exactly the same?

Senator KILGORE. They are practically the same.

Senator REVERCOMB. Did you eliminate from S. 1893 the 80-percent feature?

Senator KILGORE. Yes.

Senator REVERCOMB. Your present S. 1893 does not have the limit of 80 percent in it?

Senator KILGORE. No.

The CHAIRMAN. May I have your attention, then, gentlemen? In regard to the suggestion made by Senator Gurney, in view of the fact there are members of the committee that have not had time sufficient to read the different provisions of the bill, and, in addition thereto, they want to be able to read the George bill that has been reported to the Senate, I think we ought to take a recess. Senator Hill is now going to try to get permission of the Senate to file a bill as of today.

What suggestion is there by the members of the committee about reconvening?

Senator MURRAY. I would agree that we reconvene this afternoon at 3 o'clock, if we may.

The CHAIRMAN. Any time suits the Chair. It just depends on how much time it takes to read the bills and study them.

Senator GURNEY. I am quite sure none of us can thoroughly acquaint ourselves with this bill between now and 3 o'clock, but, nevertheless, if no final action is contemplated this afternoon, we could possibly meet at 3 o'clock and consider it some more, and continue the final action, if you want to, tomorrow, or Saturday, or even Monday morning.

The CHAIRMAN. What are your suggestions, Senator Austin?

Senator AUSTIN. I do not see how we can decide on when we will vote. That is a very difficult thing to decide. At the time when we were discussing the procedure yesterday I indicated some very important reasons why it is necessary for me to be away from here Saturday, Sunday, Monday, and Tuesday, and I cannot get here until Wednesday afternoon.

Senator KILGORE. Mr. Chairman, I believe if we get permission of the Senate we can file the report tomorrow morning, the same as we can file it today. I would like to get this out of the way before Senator Austin leaves.

The CHAIRMAN. It is necessary for the Senator to be away, and, of course, we all want to accommodate him. What do you think about meeting this afternoon at 3 o'clock, and we will go as long as is necessary?

Senator KILGORE. Let us then meet at 3 o'clock.

The CHAIRMAN. We can meet on Friday morning and Friday afternoon and Saturday morning, and perhaps by then we can finish so the Senator can get away, and he would not have to come back until Wednesday. Suppose we meet this afternoon at 3 o'clock.

Senator MURRAY. Yes.

(Whereupon, at 12 (noon), the committee recessed until 3 p. m. of the same day.)

AFTERNOON SESSION

The CHAIRMAN. Gentlemen, the meeting will come to order.

(Discussion off the record.)

DISCUSSION REGARDING PROCEDURE

Senator AUSTIN. I would like to take the views of the committee about our procedure. It is apparent, it seems to me, that we have more controversy among us about the social-security element, title 3 of this bill, than about other characteristics of the bill or other titles of the bill, and I would like to ask the members of this committee whether they do not think that we will expedite the public welfare if we separate these subjects and take up the noncontroversial ones, on the ground of expedition and more particularly on the ground that it is the logical procedure. Titles I and II establish a Director and a committee on planning and undertake to give him authority to lay out plans to be executed by the Congress in the form of statutes. Isn't it reasonable to start with the establishment of that board and its directors first before we undertake to do the detailed work which is a part of the duty of the Director and the board to make recommendations for?

Wouldn't we be acting more wisely and in the interest of the public if we dispatched the first thing first; that is, titles I and II, and then took up the other titles afterward and separately, so as to divorce, if possible, the hardships that we might run into on account of disagreement about controversial matters that are in title III?

Now, in order to bring this thing to a head and to get the views of the committee on it, I move that in our procedure we separate titles I and II and take them up first and dispose of them before we carry on with title III.

The CHAIRMAN. Is there a second to that motion, gentlemen?

Senator REVERCOMB. I second it.

The CHAIRMAN. All in favor of Senator Austin's motion please let it be known by saying "Aye."

Aye.

The CHAIRMAN. Opposed, "No."

Senator KILGORE. No.

Senator MURRAY. No.

Senator JOHNSON. Your proposal sounds like a perfectly logical thing, Senator Austin; but I would like to know why Senator Kilgore and Senator Murray are opposed to it. I would like to find out their grounds for it. If there is some good reason, maybe I would vote with them. I would like to know why they do not wish to dispose of titles I and II right now.

Senator AUSTIN. I rather expected there would be a discussion about it.

Senator KILGORE. Probably I misunderstood Senator Austin. I think they should be taken up and discussed separately in here, but I don't want to limit myself to bringing them out of committee separately. I want to hold some of these measures intact, at least these three titles intact, when we come out of here. I don't want to be limited on that.

Senator AUSTIN. My motion did comprehend separating them from title III as it comes out of the committee. If the committee will decide to do that, that that is what they think ought to be done——

Senator KILGORE. I think we ought to discuss it first and then decide that.

Senator REVERCOMB. What you are saying is that we should discuss them now separately?

Senator AUSTIN. We should discuss them separately, and I would like to see them reported separately.

Senator KILGORE. That is the reason I voted against it, because I thought your motion also contemplated voting them out separately. I don't want to bind myself on the vote until after we discuss them separately.

Senator HILL. Let me ask Senator Austin this: The logical order, of course, is that we vote them I, II, and III in our discussion here. Why not just take them that way, one at a time, and decide whether or not we are going to separate them when we get ready to go through.

What do you think of proceeding on the consideration of this bill now and the first thing will be title I and the next title II unless some order of procedure was ordered by the committee?

Senator AUSTIN. I approve. I think if we understand fully what titles I and II provide and get them in shape, that is satisfactory to us; we will have gone a long way to expedite the work that is really aggravating us now, and we will be helping ourselves some, because if we have the benefit of the activity under titles I and II, it might improve our legislation on other specific things. That is why I think it is the logical way to handle it.

Senator KILGORE. Why cannot we limit the motion, then, to a discussion now on the whole thing and then later on we can determine whether or not we should separate them?

Senator AUSTIN. I am willing to do that. What I asked for was discussion, really, and I made my motion in order to promote it, but at the same time I want you to know that it is my view they should come out of the committee separately before we get through, and I shall make the other motion. If you want to stop with the first part of my motion, merely to proceed to consider titles I and II, that is all right; I have no objection to that. You know, in fact, that I am not arbitrary about any of them.

Senator MURRAY. That is tantamount to merely considering the bill, commencing with the first section and going through with it and when we come to the third section, to discuss it, and if we find that it is not in satisfactory form, then the motion could be made to separate.

Senator AUSTIN. That is all right, Senator Murray, with me, if the rest of the committee agree on that. I am willing to proceed on that basis.

The CHAIRMAN. All right, then, I think that is agreed to.

Senator HILL. As I understand, we begin with this August 3d Subcommittee Print No. 2, and you are commencing with title I.

Senator MURRAY. Commencing with title I on page 1. We have prepared a little brief summary; I have it here, which is an outline of the bill, and you might follow that.

The CHAIRMAN. Suppose you proceed with that, Senator Murray. I suggest that you proceed with the reading.

Senator MURRAY. I don't think that we are going to find much controversy relative to titles I and II.

Senator REVERCOMB. I agree with Senator Murray. May I make a suggestion that the bill be read by somebody and no one comment on it until the particular section is read; start reading with section 101.

The CHAIRMAN. Start reading with section——

Senator REVERCOMB. Start reading with section 101, and when the section is read, ask for comments.

Senator AUSTIN. That is all right with me.

The CHAIRMAN. All right. [Reading:]

READING AND DISCUSSION OF THE BILL, SECTION BY SECTION

TITLE I—GENERAL PROVISIONS

SECTION 101. The Congress hereby declares that the objectives of this Act are—

(a) To facilitate maximum war production during the war and to expedite the transition from war to peace;

(b) To achieve full employment, rising standards of living, and effective utilization of the Nation's resources during the period of transition from war to peace and thereafter; and

(c) To provide for the development of unified plans and projects and adequate machinery to achieve the foregoing objectives.

SEC. 102 (a). There is hereby established in the Executive Office of the President, the Office of War Mobilization and Adjustment (hereinafter called the "Office"), which shall be headed by the Director of War Mobilization and Adjustments (hereinafter called "the Director"). The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $15,000 per year.

Any comments?

Senator HILL. That $15,000, that is what a Cabinet member gets, isn't it?

The CHAIRMAN. Yes.

Senator JOHNSON. And the Vice President.

The CHAIRMAN. Any other comments?

Senator HILL. Can anybody tell me what a Senator gets?

Senator AUSTIN. Just a moment, Mr. Chairman. The term has been taken out ot if. It originally provided for a 2-year term, did it not, Senator Murray?

Senator MURRAY. I don't recall any limitation on the term, but it might have been in the first draft.

Senator KILORE. The war contract termination has a limit.

Senator REVERCOMB. Shouldn't there be a termination?

Senator MURRAY. If you limit it to 2 years, the war may continue for 3 years yet.

Senator JOHNSON. Two years after the termination of the present war.

Senator AUSTIN. Two years after the termination of the present war. Well, if you had a 2-year term it would enable you to change your Director if the war lasted a long time.

Do you have any objection to a 2-year term in here?

Senator KILGORE. I will tell you, Senator Austin——

The CHAIRMAN. Senator Kilgore, pardon me just a moment. It has been called to my attention by Mr. Lamb that on page 48, section 503, there is a proposal covering this matter, section 503, reading as follows——

Senator KILGORE. What page?

The CHAIRMAN. Page 48. [Reading:]

The provisions of this Act shall become effective immediately, unless otherwise provided in the Act, and unless otherwise provided shall be terminated at the end of 24 months after the termination of the war.

Senator AUSTIN. But that does not take care of the point.

Senator KILGORE. My theory, Mr. Chairman, on that, is this: That this is a post of rather high responsibility operating directly under the President, in the President's office; like a Cabinet member it should not have a definite term of office but it should be at the will and pleasure of the President, so that if he does not give satisfactory service he can be eliminated.

Senator JOHNSON. Why do you say that?

(Discussion off the record.)

Senator KILGORE. I am opposed to a definite term of office.

Senator JOHNSON. Senator Kilgore, why don't you say this: "Shall serve at the pleasure of the President"?

Senator KILGORE. That is just the point I was making.

Senator JOHNSON. Why don't you say that, if that is what you mean.

Senator AUSTIN. The original George-Murray bill, S. 1730, had those words in it which struck me as applicable to this paragraph, right at the end of the paragraph, "and shall serve for a term of 2 years." That was in line 14 on page 2 of the original George-Murray bill. I like it very much, because it gives an opportunity to have someone else put in if this enormous job is too much for the man first appointed.

Senator GURNEY. Why not say, Senator Kilgore, that he shall continue in office at the pleasure of the President?

Senator MURRAY. I think tht will be preferable, because even when the term expires it would be difficult then for the President to eliminate him and appoint another man. It will be just as difficult to do it then as it would be if you had a general provision in there.

Senator AUSTIN. You will never get a President who is left discretion to terminate a man's office—you can never get him to terminate it. We have had that experience with our judicial system and had to remove it. The President had the power not many years ago to ask a man to retire who became incapacitated, and we had many cases of incapacitated judges and yet we were never able to get someone to take their place that could handle the job. We had to change the law. I think it wiser not to leave this responsibility with the President actually to condemn a man by removing him from office and say "I am going to put someone else in the place." If you leave it at the President's pleasure or discretion the President is on the spot and it is a bad spot. I therefore move to add to this paragraph a comma, instead of a period, and at the end of it the words "and shall serve for a term of 2 years."

The CHAIRMAN. Suppose he wants to get rid of him before the 2 years is up?

Senator AUSTIN. He can do that now under the general statute.

The CHAIRMAN. Is there a second to that motion?

Senator REVERCOMB. I second it.

The CHAIRMAN. All in favor of that motion say "Aye."

Aye.

The CHAIRMAN. Opposed, no.

Senator GURNEY. No——

The CHAIRMAN. Those who vote aye hold up their right hands. [Four held up their hands.]

The CHAIRMAN. Those who say no, hold up their hands. [Two held up their hands.]

Senator MURRAY. Senator Truman is not here, and I do not like to take any stand on it in his absence. I have no objection to it personally, but I would prefer not to vote on it in the absence of Senator Truman.

The CHAIRMAN. The motion is carried.

Senator KILGORE. I have Senator Truman's proxy here and I can vote it, and I will vote it against it.

The CHAIRMAN. All right, four in favor and three opposed.

Senator HILL. Will not Senator Truman be over here?

Senator MURRAY. I would like to ask that that be passed over until we have finished the study of the bill.

Senator AUSTIN. That is all right with me.

Senator JOHNSON. What is your reason for making that $15,000? I want to cut that down to $12,000 per year, and the deputy down accordingly.

Senator AUSTIN. I think it might be said this is a job comparable to the one that Justice Byrnes now has, and he gets $15,000.

Senator KILGORE. Instead of passing it over, let the matter stand and I will withdraw my vote.

The CHAIRMAN. You mean in regard to the period of duration of 2 years?

Senator KILGORE. Yes.

The CHAIRMAN. Will you repeat that, Senator?

Senator AUSTIN. A comma instead of a period, "and shall serve for a term of 2 years."

The CHAIRMAN. Any other comment?

Senator HILL. You want to leave that other in, "he shall receive compensation and shall serve"—or do you want to say "shall be appointed by the President for a term of 2 years by and with the advice and consent of the Senate and shall receive compensation at the rate of $15,000"? I think that is a better way to do it—"shall be appointed for a term of 2 years."

Senator AUSTIN. That is all right.

The CHAIRMAN. Shall be appointted for a term of 2 years.

Senator HILL. By the President for a term of 2 years.

Senator AUSTIN. Shall be appointed for a term of 2 years by the President by and with the advice and consent of the Senate. That will be the way to do it.

Senator JOHNSON. That is here.

Senator AUSTIN. It is not my language, anyway.

Senator MURRAY. There is no objection to that proposed amendment.

The CHAIRMAN. Section B, page 2, line 11:

There is hereby established in the Office of War Mobilization and Adjustment a Division of Programs and Projects to be headed by a Deputy Director, who shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $12,000 per year. It shall be the function of the Deputy Director and the Division of Programs and Projects to assist the Director in discharging his responsibilities under subsection (c) of this section.

Any comments?

Senator AUSTIN. I may have some amendment on line 14; after the word "appointed" insert "for a term of two years." That was in the other bill, the original Murray-George bill.

Senator REVERCOMB. If that deputy is not satisfactory to the Director in the course of time, what is the situation?

Senator HILL. Well, he could be removed by the President.

Senator REVERCOMB. Even if there was a 2-year term?

Senator HILL. The fact that you give a man a term, as I recall the Supreme Court decision, unless he is in a quasi-judicial position, the President has the power to remove him at any time. Isn't that right?

The CHAIRMAN. Any other comments, gentlemen? If not, we will proceed with line 20, subsection (c). [Reading:]

(c) In addition to any authority which the President may delegate to him the Director shall, subject to the direction of the President and with the assistance of the Deputy Director—

(1) Formulate or cause to be formulated plans to meet the problems of war mobilization and post-war adjustments in such a manner as to achieve the objectives of this Act;

Any comments? [Continues reading:]

(2) Issue such directives on policy, plans, and operations to other Government agencies as may be necessary to carry out and to coordinate their activities in connection with such plans, and review the programs and activities of other Government agencies with respect to war mobilization and post-war adjustments. Each Government agency shall carry out the directives of the Director expeditiously, and, to the extent necessary therefor shall modify its operations and procedures and prescribe further regulations with respect thereto. Nothing contained in this section shall be construed as authorizing any activities to carry out any plan formulated under this section which are not within the scope of the powers possessed by the President or the Government agencies under the Constitution or under the provisions of law other than this section.

Senator KILGORE. I would like to suggest making an amendment to line 8; after the word "adjustment" insert this:

including the procurement and activities of Federal agencies engaged in or concerned with production, procurement or distribution of military or civilian supplies, materials, and products——

Senator JOHNSON. Well now, you are getting into our surplus property, and I object to that amendment.

Senator KILGORE. Wait until I finish it out—

economic stabilization, war production cut-backs; settlement of claims under terminated war contracts; disposition of surplus war property; resumption and expansion of civilian goods production; retaining and employment of retired servicemen, civilian workers in war and peacetime industry, agriculture and other programs affecting war mobilization and peacetime production and employment.

Let me give my reason for this. If this Director is to do what this bill intends he must have specific authority to do those things, and the heads of these other bureaus must work with him as a coordinator under his direction in order that the programs may be coordinated. That is the reason for inserting that. I think the Director contemplates that work and he will lay out plans for the disposition of surplus property. That is the over-all planning, not the detailed plans, but he will certainly work out plans for contract termination and reemployment and if the over-all office is to work, I am just trying to get in these various things that may later come in in compliance with the suggestion made this morning of various things that may later come up. If we do not put those things in we are going to get back into the decentralized system we have had so much trouble with.

Senator JOHNSON. If you are going to separate surplus property from this bill you ought to separate it now. When you give this Director power over it, that is not separating it at all, that is including it.

Senator KILGORE. When you do get the thing put through, you put the whole program under the Director.

Senator JOHNSON. Let's put it in when we come to handle the surplus property bill. Let us have a proviso in that bill to put it under him and not do it in this bill that is not designed to deal with surplus property.

Senator KILGORE. It is under the training law now.

Senator MURRAY. I would like to inquire from the legislative expert here if it is not true that all these various activities are not implied already by the act?

Mr. MURPHY. It seems to me it is more than an implication, Senator. It seems to me that they are in the war mobilization bill as it stands in the Director's jurisdiction over affairs concerning war mobilization and post-war adjustments.

Senator KILGORE. I was just itemizing those things in the amendment. I just wanted to make sure it does do that.

Senator MURRAY. You could leave it out without doing any damage

Senator HILL. It seems to me——

(Discussion, off the record.)

Senator KILGORE. It is the concensus of opinion that, without this amendment I have suggested, the Director will still have the over-all

coordinating power with this demobilization program, and that unless the Congress specifically divests him of it in the passage of future acts he would still be able to issue over-all programs that will cover those agencies.

Senator AUSTIN. It strikes me that this is a grant of authority and it is a grant in addition to the authority which the President may delegate to him, you say.

The CHAIRMAN. By the Congress——

Senator AUSTIN. No; we are now doing something we have not done before.

Senator KILGORE. I say, a grant by Congress.

Senator AUSTIN. Well, in effect we are saying this Director shall have all the power the President may delegate to him. That is No. 1. That is found in lines 20 to 23 on page 2.

Senator KILGORE. Right.

Senator AUSTIN. Then we are saying in addition to those powers he shall issue such directives on policy, plans, and so forth, all the things that are contained in subsection 2——

Senator KILGORE. Right.

Senator AUSTIN. Now, those detailed objectives are in your bill 1893, are they not?

Senator KILGORE. Right.

Senator AUSTIN. On page 2, beginning with line 14.

Senator KILGORE. Right—no—that is right; yes.

Senator AUSTIN. Could you let me have that memorandum, Senator Kilgore?

Senator KILGORE. I am just making it for the record, you know, Senator Austin.

Senator AUSTIN. It won't take me but a moment to run through them once more. I could not carry them all in my memory as you read them. Shall I read them aloud? Is anybody else interested in having me read them aloud?

Senator REVERCOMB. Yes.

Senator AUSTIN. Production, procurement, distribution or transportation of military and civilian supplies——

Senator KILGORE. No; I left out the transportation when I read that deliberately.

Senator AUSTIN. Then you have military supplies left in.

Senator KILGORE. The distribution of military supplies.

Senator AUSTIN. Yes; and you have them in there.

Senator KILGORE. Yes; but I left out the word "transportation."

Senator AUSTIN. All right, the distribution of military or civilian supplies, materials, and products, economic stabilization, war production cut-backs, settlement of claims under terminated war contracts, disposition of surplus war property, resumption and expansion of civilian goods production, the training and placement of returned servicemen and civilian workers—that is already in.

Senator KILGORE. Yes.

Senator AUSTIN. All right, war and peacetime industry and agriculture and other programs affecting war mobilization and peacetime production and employment.

Now if you don't mind, I would like to say at this point that I hope to see this legislation come out of the committee in separate form so that we can deal with them more wisely, with each of the important

segments. Therefore, I don't want to see this surplus war property disposition included in this particular title of the bill.

Also I do not feel satisfied that we ought to take away from the General Staff the control of the distribution of military supplies, materials, and production. I think those should be left strictly to the General Staff, which is a military function affecting all of our strategy and our military needs.

Now, I have not had this under consideration enough to have covered fully the objections that I may have to it, but I object to it on those two grounds, and I hope that it will not be accepted.

Senator JOHNSON. I join Senator Austin on those two grounds.

Senator KILGORE. Now, let me get the legislative slant of you two gentlemen on that.

Is it your idea when we set up a demobilization program that production, shall we say, shall function completely independent and by itself, subject only to the will of the President; that the disposal of surplus property shall be an independent function subject only to the will of the President; that retraining and reemployment shall be an independent function subject only to the will of the President? Is that the idea?

Senator AUSTIN. My answer now is that this present title takes care of that.

Senator KILGORE. It is the intent of this committee that we shall have a centralized agency to coordinate the activities of all of these various separate groups, is that right?

Senator AUSTIN. That is correct.

Senator HILL. Let me see that.

Senator KILGORE. I will withdraw it.

Senator HILL. I think the language now is sufficient.

Senator KILGORE. I just wanted to make sure that was the understanding of the committee.

Senator GURNEY. I would like to ask Senator Kilgore a question.

Would the passage of this bill setting up this Director continue in the control of the Federal Government complete allocation of materials as is now controlled by the War Production Board?

Senator KILGORE. Not entirely.

Senator GURNEY. Does it?

Senator KILGORE. Not when the President's power has ceased.

Senator GURNEY. We are substituting congressional power for Presidential power.

Senator KILGORE. No; we are not.

Senator AUSTIN. We are giving congressional backing to the President. That is something I have been trying to do for a long time with the Manpower bill. You are getting a large part of the Manpower bill right here.

Senator KILGORE. In other words, the present directives are under the War Powers Act.

Senator REVERCOMB. Which terminates 6 months after——

Senator KILGORE. Six months after the termination of hostilities. This would not continue the War Powers Act.

Senator MURRAY. I agree, but I think we are wasting time continuing the discussion after the amendment has been withdrawn.

Senator GURNEY. I did not mean the amendment would do that; I mean would not the present language do it?

Senator KILGORE. No.

Senator REVERCOMB. I think it a very important inquiry.

Senator MURRAY. It would be very important if we were attempting to continue the war powers.

Senator GURNEY. Then the answer to my inquiry is a definite no.

The CHAIRMAN. There is nothing you want to add to paragraph 2, is there, Senator Kilgore?

Senator KILGORE. No; with this discussion for the record in the minutes, I don't want to add anything further.

The CHAIRMAN. Any other comments pertaining to section 2?

Senator JOHNSON. The last sentence of section 2, will you read that?

The CHAIRMAN. Gentlemen, attention please. The last sentence of section 2 [reading]:

Nothing contained in this section shall be construed as authorizing any activities to carry out any plan formulated under this section which are not within the scope of the powers possessed by the President or the Government agencies under the Constitution or under the provisions of law other than this section——

Senator KILGORE. In other words, it is the specific intent of that wording to say that this does not confer and does not create any special war powers to extend after the War Powers Act has expired.

The CHAIRMAN. That seems to cover it.

Senator JOHNSON. I think that last sentence is clarifying.

Senator KILGORE. What?

Senator JOHNSON. I think that last sentence is clarifying.

Senator KILGORE. Yes.

The CHAIRMAN. If there are not further comments I will read section 3, line 19:

(3) Recommend to the Congress appropriate legislation to carry out plans developed by him but not authorized to be carried out under existing law.

Senator MURRAY. That means anything authorized under existing law he can prepare plans for and have them carried out without any further authority.

The CHAIRMAN. That is right.

Senator MURRAY. But if it is something entirely outside of authority granted by existing legislation then he would have to come to Congress for it.

The CHAIRMAN. That is right. [Continuing reading:]

(4) Evaluate and report on current and projected public and private activities affecting war mobilization and peacetime full production and employment; survey continuously the necessity for additional programs of legislation as will achieve the objectives of this Act; promote and assist in the development of war mobilization and post-war adjustment plans and surveys by other Government agencies; such surveys shall include (without being limited thereto) programs and measures for public works, housing, taxation, industrial and regional development, expansion of foreign trade, social security, and the maintenance of competitive enterprise; develop procedures to inform each Government agency of proposed war mobilization and post-war adjustment plans and proposals related to its work which are being developed or carried out by any other government agency; and settle controversies between Government agencies in the development and administration of their plans or plans developed by the Director.

Senator JOHNSON. Why don't we have the term, instead of "mobilization" "demobilization"? Doesn't this bill pertain to demobilization?

Senator HILL. It is also a war bill as well as a post-war bill.

Senator AUSTIN. That is a very important part of this bill.

Senator MURRAY. The words "post-war adjustments" are words used to signify demobilization.

Senator AUSTIN. This process has been going on ever since we started the war.

Senator HILL. That is right.

Senator AUSTIN. We get both mobilization and demobiliza ion occurring all the time, and it will be so——

Senator MURRAY. In fact, we used the word "demobilization" in the first few drafts and then afterwards substituted the words "post-war adjustment."

The CHAIRMAN. Then you use the words "peacetime, full-time employment" which related to after the war.

Senator JOHNSON. As Senator Austin points out war mobilization and war demobilization go on continuously, it does not wait until after the war is over, and you have it here as post-war, so your demobilization is post-war.

Senator AUSTIN. That is right.

Senator JOHNSON. But that is not true because demobilization is going on while the war is going on.

Senator AUSTIN. You are right.

The CHAIRMAN. Any further comments?

Senator AUSTIN. I would suggest that you insert the word "such" in the last line on page 3.

The CHAIRMAN. Where do you mean, line 25?

Senator AUSTIN. Line 25.

The CHAIRMAN. Reading continuously the necessity for "such" additional programs.

Senator AUSTIN. Yes.

Senator JOHNSON. What line?

The CHAIRMAN. Page 3, line 25, at the word "for" insert "such" additional programs—any objections?

Senator KILGORE. No; I think that is all right.

Senator HILL. You ought to read the whole thing.

Survey continuously the necessity for such additional programs of legislation as will achieve the objectives of this Act—

so that we get the full meaning.

Senator AUSTIN. Let us take up Senator Johnson's suggestion. I think we have gone over it a little too fast. I believe that it is the purpose of the offer to include demobilization, not merely post-war adjustment. If that is true, as I think perhaps it ought to be, the words "and demobilization" should be inserted after mobilization.

Senator REVERCOMB. Whereas war and post-war adjustments are going on now at this time.

Senator AUSTIN. Yes.

Senator REVERCOMB. Why would not the title indicate rather clearly war mobilization and adjustment—adjustments both in time of war and after war——

Senator JOHNSON. If you strike out "war" I will agree with you.

Senator REVERCOMB. The words "post-war"?

Senator JOHNSON. Right in the title of the bill.

Senator MURRAY. Page 4, line 10.

Senator JOHNSON. The first page "to provide a national program for war mobilization and post-war adjustment."

Senator MURRAY. I think it would be better to say "War mobilization and demobilization and post-war adjustment."

Senator AUSTIN. I do too.

Senator JOHNSON. Right.

The CHAIRMAN. In the main title.

Senator JOHNSON. In the main title also.

The CHAIRMAN. How would that read now?

To provide a national program for war mobilization, demobilization, and post-war adjustment.

Senator HILL. War mobilization and demobilization and post-war. Also, don't you want to do it that way?

Senator MURRAY. I think that would be better.

Senator JOHNSON. Yes, use an extra "and."

Senator AUSTIN. Now then, those same words ought to be after mobilization in line 2 on page 4.

Senator REVERCOMB. The top of page 2, "The Director of war mobilization and adjustment."

The CHAIRMAN. Where is that?

Senator AUSTIN. Page 4, line 2, after the word "mobilization" insert "and demobilization."

Senator KILGORE. I don't think, Mr. Chairman, you need the word "demobilization" there at all. You are going to——

Senator REVERCOMB. They use the words "post-war."

Senator KILGORE. The only thing you will demobilize after the war is over will be demobilization of troops.

Senator AUSTIN. Demobilization of industry, contracts, and everything else.

The CHAIRMAN. It does not hurt it, does it? It rather strengthens it, at least it clarifies it.

Senator MURRAY. It only makes it lengthy.

The CHAIRMAN. You make that as a motion, do you, Senator?

Senator AUSTIN. Wait a moment; I am beginning to see a different light on this thing as I hear it discussed.

Senator REVERCOMB. Why not strike out the words "post-war" and make it "mobilization and adjustment" as it comes in the title?

Senator AUSTIN. I think that is still better, strike out the words "post-war" and you get adjustment currently as well as post-war. Is that right?

Senator JOHNSON. I like it.

Senator REVERCOMB. That is all right.

Senator AUSTIN. That suits me, we strike out "post-war." Strike out that amendment.

The CHAIRMAN. And "demobilization" comes out.

Senator AUSTIN. And demobilization comes out.

The CHAIRMAN. Just war mobilization and adjustment.

Senator AUSTIN. War mobilization and adjustment in the title and strike out "post-war" and strike out "demobilization." That leaves it——

Senator HILL. You are speaking of the title.

Senator KILGORE. You were just talking about striking out post-war and wartime adjustment.

Senator MURRAY. Post-war adjustment is what has been used in legislation recently.

Senator JOHNSON. Why don't you say "war and post-war adjustment"?

Senator KILGORE. Yes.

Senator HILL. If you said "war mobilization and adjustment" that war might be construed as modifying both mobilization and adjustment.

Senator KILGORE. Factories are being converted from guns to shells but it is not post-war adjustment.

Senator REVERCOMB. Is it necessary to use the words "War Director of Mobilization and Adjustment"?

Senator KILGORE. Director of War Mobilization and Post-war Adjustment. I think the thing is complete in itself.

Senator AUSTIN. I withdraw my objection to it.

The CHAIRMAN. The title will be as it was.

Senator AUSTIN. That leaves the title as it was and leaves the text as it was, if we agree to it.

The CHAIRMAN. What do you say to that, gentlemen?

Senator MURRAY. What do the legislative experts recommend there?

Mr. MURPHY. This represented our best judgment at the time.

Senator MURRAY. You thought it would be all right as it was, it would be effective as it was.

Mr. MURPHY. That is right.

Senator HILL. I suggest we leave it as it is.

The CHAIRMAN. We will continue from page 4, beginning with line 16, subsection (5).

(5) make or cause to be made studies which will enable him to determine the need for (A) simplifying, consolidating, or eliminating Government agencies established for purposes of the war emergency; and (B) reestablishing by statutes or terminating such agencies as now exist under Executive order only;

Any comment?

Senator GURNEY. Are you limiting it to those established on'y by Executive order?

It might be that we will want to eliminate some that were established by Congress.

Senator KILGORE. They would have to apply to Congress. They have the power to recommend legislative acts.

Senator REVERCOMB. He is just making the suggestion here, he is not eliminating—"make or cause to be made studies which will enable him to determine."

Senator AUSTIN. I would like to ask Senator Murray a question; in your first bill you had at the end of that paragraph this phrase: "and for relaxation or removal of emergency war control." Why did you leave it out of this bill?

Senator MURRAY. It is included in title 2 of this bill.

Senator AUSTIN. Oh, whereabouts?

Senator MURRAY. Page 11, line 21.

The War Production Board and other Government agencies exercising control over manpower, production, or materials, shall permit the expansion, resumption, or initiation of production for nonwar use whenever such production does not require materials, components, facilities, or labor needed for war purposes, or will not otherwise adversely affect or interfere with the production for war purposes.

It starts out with the heading in line 8, section 202. [Reading:]

Curtailment of war production or terminations of war contracts shall be integrated and synchronized with the expansion, resumption, or initiation of production for other war purposes, and, to the greatest extent compatible with the effective prosecution of the war, of production for nonwar use. To effectuate this policy—

(a) the contracting agency shall continuously survey their product and material requirements and report to the Chairman of the War Production Board in such form and detail as he may determine, on current and anticipated changes on requirements, and on all anticipated curtailments of war production or terminations of war contracts.

(b) the War Production Board and other Government agencies exercising control over manpower, production, or materials shall permit the expansion, resumption, or initiation of production for nonwar use whenever such production does not require materials, components, facilities, or labor needed for war purposes, or will not otherwise adversely affect or interfere with the production for war purposes.

That is a very important provision; it is being agitated all over the country.

Senator AUSTIN. You are right, but the difficulty as I see it now—I may be wrong—I would like to have your advice about it—is that the transfer of the subject out of this paragraph and over into that title 2 in the way you have done it changes the authority from the Director to the Chairman of the War Production Board, and I doubt the wisdom of that. I think that this general authority that we are investing in the Director in order to coordinate things——

Senator MURRAY. Isn't that the general authority carried on here, page 5, subdivision 7, where it says:

Survey continuously all rules, regulations, and orders issued by any Government agency exercising over manpower, production, or materials for the purpose of determining whether any such rules, regulations, or orders prevent or hinder the full employment of the Nation's manpower by private employers capable and desirous of resuming, expanding, or initiating production for nonwar use. Whenever the Director determines that any such rule, regulation, or order so prevents or hinders full employment and is not required for the purpose of insuring production for war purposes, he shall direct such Government agency to rescind, modify, or amend such rule, regulation, or order.

Senator KILGORE. I think that takes care of it.

Senator HILL. That makes him supreme, doesn't it?

Senator AUSTIN. That relates to the same subject, but it is not as comprehensive as this one, Senator Hill, which Senator Murray had in his original bill, namely, "for the relaxation or removal or emergency war controls." That is an awfully good line.

Senator MURRAY. We have that in here.

Senator AUSTIN. It don't do you any harm, and I think it covers what you are seeking a little more fully, so I move we add to this (5)——

Senator KILGORE. Line 21.

Senator AUSTIN. Line 21 the words "and for the relaxation or removal of emergency war controls;"

The CHAIRMAN. War controls——

Senator AUSTIN. Plural, that will change the punctuation after the word "only" from a semicolon to a comma.

Senator MURRAY. Should the letter (c) be inserted ahead of that?

Senator AUSTIN. No; it belongs with (b); by statute it belongs with the first phrase. You are reestablishing by statute the terminating of such agencies under existing law under such order, and for the relaxation or removal or emergency war controls.

Senator HILL. Yes. I have no objection to that. I think it was intended. Of course, we should have that power.

Senator AUSTIN. Yes, it is apparent you developed it pretty fully over there in the next title.

Senator REVERCOMB. Let me make this inquiry, the whole section 5 that you are dealing with, that deals with making a study and recommendation—the making of a study.

Senator AUSTIN. Yes.

Senator REVERCOMB. That is all.

Mr. MURPHY. I think clause B would express my understanding of its intent if you struck out the word "such" in line 20, and changed the word "as" at the beginning of line 21 to "which." As I understand that is the intent to apply to the Executive order agencies whether or not they were established for that purpose of war emergency. If you leave the word "such" in there that might be construed to limit it to clause (a) which refers only to war emergency agencies.

Senator MURRAY. "Terminating agencies which now exist" striking out "as" and substituting the word "which."

Mr. MURPHY. Whether you want the word "now" in there or not I don't know, whether you want to limit it to agencies which now exist. I take it that would be construed to limit it to agencies which exist at the date of the act.

Senator AUSTIN. I think "now" ought to go out.

Senator HILL. I think so too.

Mr. MURPHY. It is a question of policy, whether you want to restrict it to agencies now existing.

Senator MURRAY. The President might issue an Executive order one day and the next day after the order was issued the Director would have the power to rescind it.

Senator KILGORE. No, he makes a study, that is all.

Senator HILL. I don't like that legislative word "now" anyway, do you?

Senator AUSTIN. What is "now"?

Senator HILL. I don't know.

Senator REVERCOMB. Let's clarify that. This section only empowers the Director to make a study and recommendation. Is that correct?

Senator MURRAY. That is right.

Senator HILL. I think the word "now" ought to go out.

The CHAIRMAN. Is there a motion in regard to that? You want to strike out the word "now"?

Senator MURRAY. Strike out the words "as now" and substitute the word "which," then it would read "reestablishing by statute or terminating agencies which exist under Executive order only."

The CHAIRMAN. Striking out "such"?

Senator MURRAY. Yes, strike out "such."

The CHAIRMAN. "Agencies which exist under Executive order only"?

Senator MURRAY. Yes.

The CHAIRMAN. And "for the relaxation or removal of emergency war controls"?

Senator MURRAY. That is right.

The CHAIRMAN. Any further comments on that paragraph? If not, we will proceed to number 6, line 22 [reading]:

(6) Institute a specific study of the present functions of the various Government agencies in the field of manpower, and develop a program for reorganizing and consolidating such agencies to the fullest extent practicable in the Department of Labor.

Senator AUSTIN. I would like to ask Senator Murray, is there a special reason for putting them all in the Department of Labor?

Senator MURRAY. Well, it was considered that was the appropriate place for them, and of course, it merely provides for the development of a program for reorganization and consolidation of such agencies, and if it is something that does not fit into the Department of Labor, of course it would not go in.

Senator AUSTIN. Your theory is that although the language now comprehends agencies that are not strictly in the field of manpower, that the administration of it would be limited to the agencies in the field of manpower, is that right?

Senator MURRAY. Yes.

Senator KILGORE. Don't you think it might be advisable to leave out the words "in the Department of Labor"?

Senator MURRAY. I don't think there would be any objection to that, but it seems that the activities connected with the manpower should appropriately be in the Department of Labor.

Senator AUSTIN. Would you have any objection to ending that sentence with the word "practicable"?

Senator MURRAY. I would have no objection to that.

Senator AUSTIN. It seems to me that would be adaptable to any situation.

Senator MURRAY. Yes; they could still put it in Labor.

Senator HILL. You got agriculture in this picture and they will raise the question with labor.

Senator AUSTIN. There are many forms of labor that might not come in there.

Senator MURRAY. We have received letters and have had conferences with many representatives of labor and my recollection is that that recommendation was made by some spokesman of labor that they considered that would be the appropriate place for the subject of manpower.

Senator AUSTIN. This does not exclude it, if you stop at "practicable."

Senator MURRAY. That is right.

Senator HILL. They can put it anywhere.

Senator AUSTIN. They can put in anywhere.

The CHAIRMAN. Do you make that motion?

Senator AUSTIN. Yes, I move——

The CHAIRMAN. Is there a second to that motion?

Senator GURNEY. I second it.

The CHAIRMAN. All in favor say aye.

Aye.

The CHAIRMAN. No objection, we will eliminate the words "in the Department of Labor."

Any further comments on that paragraph 6? If not, we will proceed with paragraph 7, line 3, on page 5 [reading]:

(7) Survey continuously all rules, regulations, and orders issued by any Government agency exercising control over manpower, production, or materials, for the purpose of determining whether any such rules, regulations, or orders prevent or hinder the full employment of the Nation's manpower by private employers capable and desirous of resuming, expanding, or initiating production for nonwar use. Whenever the Director determines that any such rule, regulation, or order so prevents or hinders full employment and is not required for the purpose of insuring production for war purposes, he shall direct such Government agency to rescind, modify, or amend such rule, regulation, or order.

Senator AUSTIN. May I ask a question? Don't think I am trying to run this show by butting in here so often, but this is the time to talk if you are ever going to do it, it seems to me. I would like to ask Senator Kilgore and Murray if this represents an agreement between them—this paragraph.

Senator MURRAY. Yes; I think we are in full agreement on this, and I think it is very important.

Senator AUSTIN. The reason I ask it is, I notice that it was not in the Murray-George bill, but I think it is important.

Senator KILGORE. We agree on this.

Senator MURRAY. We studied it very fully and we both came to the conclusion that this should be in there.

Senator AUSTIN. All right.

The CHAIRMAN. Any further comments on that, gentlemen? If not, we will take up paragraph 8, line 17 [reading]:

(8) Consult and cooperate with State and local governments, industry, labor, agriculture, and other groups, both national, regional, and local, concerning methods of achieving the objectives of this act; and

(9) Submit reports to the President, the Senate, and the House of Representatives on the first days of January, April, July, and October on the activities undertaken by him under this act. Such reports shall summarize and apprise the activities of the various Government agencies in the fields of war mobilization and post-war adjustments and may include such legislative proposals as he may deem necessary or desirable.

Senator AUSTIN. Now, there are some changes in there that are interesting. I would like to ask about them. In the original bill by Senator George and Senator Murray the words "or contemplated by him" were in the draft so that it read "that he would submit reports on the activities undertaken or contemplated by him."

Now, the words "or contemplated" are deleted from this. There is a reason for it, probably. What is it?

Senator MURRAY. I don't know of any except that it would be making another report within a few months and it was not considered necessary for him to make a report on something that he was merely contemplating when he would be able to make a report on it in a very short time after he had actually determined what he was going to do.

Senator KILGORE. It was also taken care of, Senator Austin, in this. In this report he shows plans and programs and everything else which are contemplated. I think also he must report on his planning bureau which takes in the contemplation.

Senator AUSTIN. Then the words "or contemplated"——

Senator KILGORE. I think are unnecessary.

Senator AUSTIN. You think are unnecessary. That is, you expect that the report is to contain that.

Senator KILGORE. Naturally, it contains a report of all the activities which include plans and programs.

Senator AUSTIN. All right.

Senator MURRAY. I don't believe the language would do more than that.

Senator AUSTIN. Page 5, line 12 of S. 1730, June 9, subcommittee print.

Senator MURRAY. That was the first revision, but the original bill I have here, February 22, does not contain that language.

Senator AUSTIN. No; this is in the June 9, 1944 subcommittee print. It is proposed modification No. 3——

Senator MURRAY. Well, it was probably recommended by somebody at the time we put it in there in order to get along.

Senator AUSTIN. Well, you won't have to appease me with it, because I am not particular about it, but I knew you had an explanation.

Senator MURRAY. We have a good many drafts of this.

Senator AUSTIN. Right, with Senator Kilgore's statement of it I am satisfied.

Senator HILL. As it is now he makes a report every 90 days.

Senator KILGORE. He makes a report every 90 days including the activities including programing and planning.

The CHAIRMAN. Any further comments?

Senator AUSTIN. There is one further question about this paragraph. That relates to the field of demobilization and post-war adjustment. This bill speaks of war mobilization does it not, and post-war adjustment. That is what this provides.

The CHAIRMAN. That is right, lines 2 and 3.

Senator AUSTIN. Is it your intention to change the purposes of this in that here? Such reports—I am reading now from the June 9 text—such reports shall summarize and appraise the activities of various agencies in the field of demobilization and post-war adjustment. You now change that to—

Such reports shall summarize and appraise the activities of various Government agencies in the field of war mobilization and post-war adjustment.

Senator KILGORE. Senator Austin, the explanation for that is probably this, that the initiation of the first bill, another bill went in at the same time, and the bills were both made purely demobilization, but it was realized after this and future studies in this were continued you had to pick up the mobilization and go into adjustment from there and therefore the phraseology was changed to war mobilization until the time for demobilization began when the adjustment period began, but there must be adjustment carried on even in the mobilization.

Senator HILL. It seems to me the present language carries through your thought much better than the other.

Senator AUSTIN. I am inclined to think it does. All right.

The CHAIRMAN. Section (d) [reading]:

The Director shall, within the limits of funds which may be made available, employ and fix the compensation of such assistant directors and other officers and employees, and may make such expenditures for supplies, facilities, and services as may be necessary to carry out his functions and the functions of the office, to the fullest extent practicable, the Director shall perform the duties imposed upon him through the facilities and personnel of other Government agencies. The Director may require such reports and information from other Government agencies as he deems necessary to enable him to carry out his functions under this Act, and each Government agency shall furnish any information and reports so required.

Any comment upon that, gentlemen?

Mr. MURPHY. Mr. Chairman, this would put the assistants who are employed under the civil service. There is no provision in here to exempt any of them from the civil-service appointment, including the Assistant Administrator.

Senator KILGORE. You have got the same situation now.

Senator HILL. I don't think a man we are going to pay $12,000 a year to would be the kind of a man that we ought to contemplate putting under the civil service. Do you say the Deputy was under the civil service?

Mr. MURPHY. The assistant directors.

Senator HILL. The assistant directors. I doubt if the Assistant Director ought to be a civil-service man.

Senator MURRAY. It would be difficult to find them.

Mr. MURPHY. They would be under the general service list which means the President would have the power to exempt those provisions specifically from the original requirements which you are to think of as being civil service.

Senator HILL. If the President wants to exercise his power, I realize that, he can issue an Executive order.

Senator KILGORE. We could secure that by saying he shall be appointed without regard to the civil-service regulations.

Senator AUSTIN. Well, is there any way to give that benefit of civil service to clerks and exclude the others?

Senator HILL. Oh, easily.

Senator REVERCOMB. Without more than that it can be done.

Senator HILL. It can be done. You can take anybody else and let all the others fall in with the clerks and stenographers.

Mr. MURPHY. The contract termination bill did make that distinction between clerks under the civil service and professional and technical assistants, outside.

Senator HILL. Well, it seems to me we ought to take these assistant directors out from under.

Senator KILGORE. Senator Austin, page 6, line 10, insert this after the word "Office."

The appointments shall be in accordance with the provisions of the civil service laws and regulations Classification Act of 1923 as amended, except that expert administrators, technical and professional personnel and assistant directors may be employed without direct regard to this law where deemed desirable by the Director.

Senator AUSTIN. Is that provided in the other act?

Senator KILGORE. That was in the other act.

Senator HILL. I suggest we know what we want. I think we want to take the assistant directors and these experts out, and let Mr. Murphy prepare that amendment.

Senator KILGORE. I think we can use just this wording here.

Mr. MURPHY. That is all right, the first clause. Do you say you want to waive the law, do you want to exempt them also from the Classification Act?

Senator KILGORE. Yes; the assistant directors, certainly.

Senator AUSTIN. The Kilgore bill does that.

Senator KILGORE. Yes.

Senator AUSTIN. Page 4, lines 12 to 16—why not take that in—take that clause in here, that exception.

Senator KILGORE. It specifically exempts the personnel except——

Senator MURRAY. I realize that when this is set in operation they will find great difficulty in getting a proper man for the jobs. The Smaller War Plants Corporation has run into the difficulty all over

the country, they have good men whom they could employ but they could not put them on on account of that restriction.

Senator KILGORE. Senator Austin, we had any number of men perfectly willing to take the jobs at low salaries who said that they would not take the jobs if they were going to have somebody down there inquiring all over the country about them, if they were going to be investigated by the F. B. I. That happened down in West Virginia.

Senator AUSTIN. That is covered in both the Kilgore and Murray bills, isn't it?

Senator KILGORE. What?

Senator AUSTIN. Your idea of taking in that clause.

Senator KILGORE. No; I am only differentiating as to the directors and the expert and professional personnel, they are not under there.

Senator AUSTIN. Are you dissenting?

Senator MURRAY. No; I am not dissenting.

Senator AUSTIN. Let us put it in, let us incorporate lines 10 to 16, page 4 of the Kilgore bill in this paragraph.

Senator KILGORE. Add assistant directors at the beginning of it and say "assistant directors will be exempt also."

Senator MURRAY. Why not ask Mr. Murphy to prepare that.

The CHAIRMAN. All right, gentlemen. Mr. Murphy, you are going to prepare that this afternoon, are you?

Mr. MURPHY. Yes.

The CHAIRMAN. Section 103 (a) [reading]:

There is hereby created a National Production-Employment Board (hereinafter in this title called the Board), the members of which shall be appointed by the President, by and with the advice and consent of the Senate, and which shall include three representatives of industry, three representatives of labor, three representatives of agriculture, and one public member who shall be Chairman. An alternate for each member of the Board other than the Chairman shall be appointed by the President, by and with the advice and consent of the Senate, to sit and act for such member when authorized by such member to sit and act for him. The Board shall, by a majority vote of its members, determine the rules of its procedure, except as otherwise defined by this Act, and the powers conferred on the Board by this Act may be exercised by a majority vote.

Senator AUSTIN. Now, Mr. Chairman, I would like to ask a question about this. What are the advantages of these alternates?

Senator KILGORE. What is that?

Senator AUSTIN. What are the advantages as weighed up against the disadvantages for alternates?

Senator KILGORE. The chief advantage is the fact that these men are not salaried employees at all, they serve for a per diem of $25 and expenses and if you could get the best men you will find that there will be frequent occasions when they cannot be present and if we have an alternate to come in and speak for them, you will have some representative there. They have had to do that with the various boards; the War Production Board, in some cases, have alternates down there to sit in for them and it gives you a constant, evenly balanced board at all times. When an alternate on your Board who is qualified to act, it prohibits somebody sending somebody in with a proxy, he has got an alternate.

Senator REVERCOMB. Let me make this inquiry—as I read it, all the power of this Board is simply advisory.

Senator KILGORE. Your Board has two jobs; one is advisory to the Director as to the public and things of that kind, and the other one is a contact with the Nation at large. It is a public board. If they

disagree with the Director being appointed by the President they can also carry their advice to the President and if the President wants to overrule the Director they go up and tell him what they think about the Director and what they think on the question of programming and planning.

Senator REVERCOMB. There is no power in the Board to overrule the Director?

Senator KILGORE. The Director can overrule the Board, but the Board can still make their wishes felt if they think the Director is making a mistake.

Senator AUSTIN. I notice no alternate for the Chairman and I ask What is the reason for that?

Senator KILGORE. Well, you take an industry man, and you pull him out of industry. He may be the head of some concern and he needs an alternate to go in there. If you are going to get the right kind of man for labor you might get Green, or somebody like that, who cannot be there for every meeting and he sends in an alternate. On the other hand the President can try to pick out a chairman for the Board, and he should pick out one who can attend the meetings because he is the head of the Board and has the deciding vote. We do not provide for an alternate for him, however, for that reason, because he really carries a lot of weight on the Board.

Senator HILL. Does he have a deciding vote? When you have 10 people on the Board?

Senator KILGORE. He does not have the deciding vote. At the same time has has—he is the Chairman and runs the administrative end of the Board himself. The idea, if you appoint an alternate you don't know what you are going to get. The President, for instance, might appoint a Cabinet member as Chairman for that, or he could put the War Manpower Director on it or sombody like that, or he can take some public official and put him in there as Chairman of that Board. There is no limitation on that and the idea was that he would appoint a man who would devote a lot of time himself and not have some alternate put in for him.

Senator HILL. He is responsible.

Senator KILGORE. He is responsible. He is considered the President's representative on the Board.

The CHAIRMAN. Any further discussion on that, gentlemen? Senator Austin?

Senator AUSTIN. No; I am satisfied with that explanation.

The CHAIRMAN (reading):

(b) It shall be the general function of the Board to review the programs and activities of the Director and other Government agencies with respect to war mobilization and post-war adjustment and make to the President, the Congress, and the Director such recommendations relating to legislation, policies, and procedures as it may deem necessary to achieve the objectives of this act.

Any comment? If not—

(c) The Deputy Director shall serve as the executive secretary of the Board. He shall prepare, upon request of the Board, such reviews of plans, reports, and studies, and shall secure for the Board and each individual member thereof such other information from the Director or any other Government agency, as may be necessary to enable the Board to discharge its functions under this act.

Senator AUSTIN. May I ask the words "and each individual member thereof?" Is there some special value in that in the minds of either of you?

Senator KILGORE. For instance, your industry group might be interested in one phase, and one of them might ask for some specific question or want to bring up something in the Board just as an individual member. If you did not put those words in here, every time anybody asked, it would have to be asked for by the Board, but in this way each member of the Board can call on the secretary for some information, some matter which he feels the Nation might be interested in and he wants to get that for the Board, and bring it before the Board.

Senator AUSTIN. Well, the theory of this paragraph is that this ought to be clarified by the words, "as may be necessary to enable the Board to discharge its functions."

Senator KILGORE. Yes; but just a moment. He cannot go in just out of curiosity. That is something he wants to bring before the Board, he can ask the executive secretary to procure that information for him in order that he may bring that information to the Board.

The CHAIRMAN. Any further comment?

Senator AUSTIN. Do you have any objection to limiting that to each individual group? You have groups here that represent interests——

Senator KILGORE. Frankly, Senator Austin, my theory on this was to try to keep away from groups just so you would not have in there—say that was the labor bloc, agricultural bloc, you are going to have 10 men, one representing the President, you are going to have three men in there representing labor, and they are not in there as a labor bloc, they are in there representing the labor segment of the whole people, not organized labor, but all workers, all people; each one functions individually, to try to keep them from getting different blocs built up as we sometimes have them built up here. That was the idea, to try to keep that Board to 10 individuals, 10 worker individuals.

Senator AUSTIN. A very good idea.

Senator HILL. I hope you won't insist on this.

Senator AUSTIN. I won't.

Senator HILL. It will create group consciousness, that would do it by operation of law.

Senator REVERCOMB. Have you really created your group consciousness when you designate three shall be from one field, three from another field and three from another?

Senator KILGORE. No; you have not.

Senator REVERCOMB. You are designating those men as from particular groups and when they get on the Board they will say, "I am selected from industry; another from agriculture and another from labor." There they sit as a representative of the group. It seems to me when you designate a person selected from a particular group, you right there have created a group on the Board.

Senator KILGORE. Right there you have three of the largest groups of American society represented on the Board.

Senator REVERCOMB. I had hoped that we might get away from that and would appoint the Board like you do a court.

Senator KILGORE. Also you have a large segment in this post-war adjustment. There are also other groups.

Senator MURRAY. Is there any point involved here now, or are we through with it, and can we go ahead?

Senator KILGORE. It is my belief, Senator Austin, you could not get—you could not hire the type of man you can get on this Board for the salaries you have on there, that you will be able to get on this Board operating men having the knowledge and the experience——

The CHAIRMAN. Gentlemen, in reference to paragraph (c) which we have just been discussing, the War Department has a comment to make. This is a letter of even date from Under Secretary of War Patterson in which he says:

Section 103 (c)—

that is the paragraph we have just been discussing—

on page 7 provides that the Deputy Director shall prepare upon request of the Board such reviews of plans, reports, and studies and shall secure for the Board and each individual member thereof such other information from the Director or any other Government agency as may be necessary to enable the Board to discharge its functions under this Act. The seeking of information and requests by each individual member of the Board would place an undue burden upon the War Department. Furthermore, requests upon the War Department for information from the Deputy Director would duplicate the power of the Director to require reports as contained in the last sentence of section 102 (d), page 6, and would also put an unnecessary burden upon the War Department. It is therefore suggested that section 103 (c) be amended by the deletion of the words "and each individual member thereof," in line 17, and of the words "or any other governmental agency" in lines 18 and 19. This will centralize through the Director the request for information from the Department.

Senator KILGORE. My reply to that is that this is centralized through the Director. The Deputy Director gathers material for the Director. In that way it is centralized through the same official. The individual members do not get it, they simply ask the Deputy Director to obtain the information of all kinds. If it is in his possession he gives it to them, if not, he has to ask for it, but the individual member cannot go to the War Department and ask for information. He asks the Deputy Director as the executive secretary of the Board.

The CHAIRMAN. And the Deputy in turn asks the Director.

Senator JOHNSON. The War Department thought——

The CHAIRMAN. That is not in the bill.

Senator KILGORE. Oh yes; it is. He shall secure for the Board and each individual member thereof such other information from the Director and any other governmental agency. There is no authority granted in the—any member of the Board to go to the Government agency and ask for information.

Senator JOHNSON. Then I cannot read English. I think Judge Patterson has the right interpretation of that, that anyone can run down there. You authorize them to do it.

Senator KILGORE. Wait a minute, read it again, the Deputy Director shall serve as the executive secretary of the Board and shall prepare—and so forth.

Senator HILL. If he secures it for the Board won't each individual member have access to it? Why is it necessary to put it in; if they are members of the Board they have full access to it. It seems to me the language is unnecessary.

Senator REVERCOMB. I believe the point I made—some individual member may want information——

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Senator KILGORE. There is no authority granted here for the member of the Board to go to the War Department or the Navy Department or any other department.

Senator HILL. The only way he can go is through the Board.

Senator KILGORE. He asks the executive secretary to get the information. It is handled through him.

Senator MURRAY. And then the individual member can go to the Deputy Director and require him to call upon any governmental agency to supply him with specific information and studies on any matter regardless of what the attitude of the whole Board might be; is that right?

Senator KILGORE. Yes.

Senator REVERCOMB. That is the way it strikes me.

Senator KILGORE. Certainly.

Senator AUSTIN. I gather another meaning to this objection; namely, that the Under Secretary of War says that it extends this power to the Deputy Director which should be exercised solely by the Director and that the War Department can be called upon by two men instead of one for this information.

Senator KILGORE. Well, my theory was, under the set-up of the Board, all the information is garnered through the Program and Planning Division and the Deputy Director garners the information both for the Director and for this Board anyway as the head of the Division of Program and Planning. It would be his office that would handle the collection of information.

Senator AUSTIN. Page 6, line 13, provides that the Director may require such reports and information from other governmental agencies as he deems necessary to enable him to carry out his functions under this act, and so forth. Now that ought to be all that is required, shouldn't it, instead of giving authority to the Deputy Director to do the same thing?

Senator HILL. Let me ask you this question—this Board, of course, is an advising body to the Director and the President. That is the purpose of the Board. This Deputy Director or executive secretary of this Board might get a lot of information——

Senator KILGORE. That is right.

Senator HILL. If he has got to advise the Director, he ought to be in a position to get the information without necessarily going to the Director. Of course, the Board has no power. It cannot do anything except advise the President, advise the Director, but in order that it might advise them it must have recourse to a source of information.

Senator KILGORE. That is right; it must have recourse to it in order to give the advice.

Senator HILL. Yes. I think frankly we are just quibbling over something that really and truly is not of tremendous importance. I do think if this Board is going to function it ought to be able to get the information.

Senator AUSTIN. Why not limit it to the Board then instead of extending it to each individual member. You see, under this act, if it becomes a law any individual member can initiate an inquisition through the Deputy Director—any individual member of the Board.

Senator HILL. He can get his information.

Senator AUSTIN. You may have a troublesome member who would keep people in hot water all the time.

The CHAIRMAN. Why do we need that section (c) at all when the authority is granted on page 6 which has been read by Senator Austin which provides the Director with authority to get all the information he wants from any governmental agency.

Senator HILL. But this part of the bill deals with the Board. Now we are dealing with the Board, not with the Director.

Senator JOHNSON. Why don't you confine the information that the Board gets to that furnished to him by the Director. Why do you have all that in there, any other governmental agency. Why don't you just limit it to the Director and cut out——

Senator MURRAY. Strike out the words——

Senator KILGORE. It is a question whether or not the Director would give him the full information.

Senator HILL. If this Director were an autocratic type of man he might be very efficient and yet be autocratic and he might say—"I won't be bothered with this Board. They don't do anything except mess things up anyway." If you want to have a Board that can really function we want to give them the power to function in the bill. The fellow might say, "I am not going to be bothered with that Board. The Board is an incubus on my back. I don't want to be bothered with it. I am going to run this show."

Senator JOHNSON. And your Deputy Director might say the same thing.

Senator HILL. The Deputy Director, how do you mean——

Senator JOHNSON. He can say just as well as the Director that this Board cannot act upon any——

Senator HILL. I don't want to stop with this Deputy, you see, he is not the big boss. He does not wear the crown. In addition the Deputy is a member of the Board, in a way he is a member of the Board because he is secretary of the Board. You see——

Senator MURRAY. The Deputy Director would not have any difficulty because he gets the information from the Director and this puts the burden on the Director to secure this information for them, and the Deputy Director serves as executive secretary of the Board. I think you would simplify that provision there if you would strike out in line 18, following the word "Director" the words "or any other governmental agency". Because otherwise he would have to receive it, not only from the Director, but from any other Government agency, and I think that the Director is the one who would go to the other governmental agency, not the Deputy Director.

Senator HILL. That resolves itself into a question as to what you ought to do about this Board, how much power you want to give them.

Senator MURRAY. That gives them this power——

Senator HILL. No: the Director might not worry himself too much about getting this information, but if you want this Board to be independent you have got to give them the power to get the information without being absolutely dependent on the Director.

Senator KILGORE. If you want it to be the customary Washington Board, you make them totally dependent on the Director. If you want to make him independent you have to make it something worth while.

Senator MURRAY. If you give them too much independence, then you get nothing out of them but conflict and confusion. I think

you have to realize that the President is going to appoint this Director, and if this Board is going to be a helpful Board it seems to me you ought to put nothing in there for the purpose of creating conflict of any kind. They are going to be in there for the purpose of cooperating with him so I think you ought to eliminate that.

Senator KILGORE. If you say so, I will agree to cut out "any other Government agency."

The CHAIRMAN. What do you want to cut out?

Senator MURRAY. I think that will satisfy the war agencies because they would not like to have applications coming to them so frequently.

The CHAIRMAN. You want to cut out——

Senator MURRAY. Or any other Government agency.

The CHAIRMAN. Line 18. "Or any other Government agency"; is that correct?

Senator MURRAY: Yes; the Director is authorized to get the information from any source he wishes.

Senator JOHNSON. The Deputy Director is under his thumb.

Senator MURRAY. Gets it from him and furnishes it to him but still this Board tells them what information they want.

The CHAIRMAN. Any other comments, gentlemen? If not, we will proceed with (d), line 21, page 7:

(d) The Director, the Chairman of the War Production Board, and such other Federal officials performing functions subject to direction by the Office as shall be designated by the Board, shall meet with it at least once a month and shall consult and advise with it on all basic policies and programs which are subject to direction by the Office.

Senator KILGORE. The purpose of that was so that the Board would get a chance to meet with these officials at regular intervals so that problems could actually be threshed out across the table. That was the idea of that.

Senator AUSTIN. Have you any objection to adding a sentence to that—provided such meeting must be called by the Director?

Senator KILGORE. I would say, "Yes"; the Director could completely nullify the effect of that section if you had that change. I would not mind saying "at a time to be fixed by the Director."

Senator AUSTIN. Who will call those meetings?

Senator KILGORE. Wait a minute; it says the Director, the Chairman of the War Production Board——

Senator HILL. It looks like that makes the Board——

Senator KILGORE. The Board designates when they meet, meet at least once a month, the Board agrees upon the time to meet in the bill, and the Director——

Senator AUSTIN. I think you need something there in addition. If the Board has the power to call them I think somebody should be authorized to call the meeting.

Senator REVERCOMB. Does not the Board itself fix that? It has the power to make its own rules.

Senator JOHNSON. Mr. Chairman, I would like to ask a question here—why do we have a reporter here taking down the executive sessions of this committee? All of us are thinking out loud, trying to work out a bill. For what purpose is the reporter taking down all this conversation?

The CHAIRMAN. It really is not necessary. He was brought in initially as a result of Senator Kilgore's request when we had Mr. Latimer this morning testifying in regard to some of this legislation.

Senator JOHNSON. That is a different matter when we have somebody testifying.

The CHAIRMAN. He need not take all this.

Senator GURNEY. Mr. Chairman, I feel the answers to these questions propounded by members of the committee should be preserved.

Senator KILGORE. It goes to the question of legislative intent in the committee. The bill has to be interpreted. That is one thing I have always looked at, and I said to Senator Austin some time ago——

The CHAIRMAN. Am I correct, Senator Kilgore, you are desirous of having a reporter here in order that your comments may be made up for future reference?

Senator KILGORE. Not on this, but I would like to know what amendments are being made.

Senator JOHNSON. We have a secretary of this committee who is supposed to do that.

Senator KILGORE. If the members want to waive it, it is all right with me.

Senator JOHNSON. We have a number of representatives of the bureaus here and we are thinking out loud, and I wonder why we have to have a reporter.

The CHAIRMAN. Senator Gurney, what is your opinion in regard to this? Do you think we need this recorded in regard to certain controversial questions that might arise on the floor?

Senator GURNEY. I don't know what will happen from now on. I do know some questions have been given to us uninformed members that actually do explain more than the words in the bill what is the intent. I do think the record would be valuable.

Senator KILGORE. One point there, I would be very glad to have a record, because I want the legislative intent of the bill plainly stated.

Senator REVERCOMB. Would not the legislative intent come out of this committee?

Senator KILGORE. Oh yes.

Senator REVERCOMB. Or on the floor of the Senate.

The CHAIRMAN. What is the pleasure of the members of the committee about the reporter?

Senator GURNEY. We can also on the floor refer to the member and say this means so and so.

Senator REVERCOMB. Mr. Chairman, I make the suggestion but not a motion, that the reporter be here, and if anyone wants anything in particular taken down, take it down, but this conversation, we are merely thinking out loud, it seems to me could be of very little value as a record.

The CHAIRMAN. Any other comments upon that, gentlemen?

Senator AUSTIN. I would like to ask Senator Kilgore the words "shall meet at least once a month," what is your interpretation of that? Does it mean that any person designated by the Board among themselves—you have described the Director, the Chairman of the War Production Board and such other Federal officers performing functions subject to the direction of the Board—any such person can call a meeting at any time in any month so that you may have a meeting called for every day.

Senator KILGORE. I get your point on that question, and I misread this. There is nobody designated to set the time. I suggest that on line 24 after the word "month" the words be inserted "at a

time to be designated by the Chairman of the Board." That completes the section to your satisfaction, does it not?

Senator AUSTIN. Well, wouldn't you also strike out the words "or at least once" and change that word to "monthly"—shall meet with it monthly at a time designated by the Board.

Senator KILGORE. Wouldn't that limit it to one meeting a month? There might be occasions when they would want to hold more meetings. There might be occasions when they would want to hold four or five meetings.

Senator AUSTIN. Yes; I think so. What is your suggestion?

Senator KILGORE. My suggestion is that we insert after the word "month" "at a time to be designated by the Chairman of the Board."

Senator MURRAY. Such meeting to be at a time designated. Otherwise it would be read together, that contemplates more than one meeting, your next word would seem to indicate you are going to have only one meeting because it says "at a time to be designated."

Senator KILGORE. I see your point, Senator Murray, at such times as may be designated by the Chairman of the Board he shall consult, advise, and so forth.

The CHAIRMAN. Now the War Department has a comment upon section 9 which I will read, and, Mr. Reporter, you need not take this down.

(The chairman read the comments of the War Department.)

Senator REVERCOMB. I would like to have this recorded.

What is meant by "industrial segment" as used in subsection (e) of section 103?

Senator KILGORE. The Kanawah Valley in the vicinity of Charlestown would be considered an industrial segment.

Senator REVERCOMB. Is industrial segment the same thing as——

Senator KILGORE. Industrial area.

Senator REVERCOMB. I see.

Senator KILGORE. It is a type of industry, you have the chemical industry in Charlestown area, that is an industrial segment.

Senator REVERCOMB. Does industrial segment mean the kind or type of industry?

Senator KILGORE. Yes.

Senator JOHNSON. Does not industrial segment in this paragraph mean such things as transportation?

Senator KILGORE. It might mean railroads.

Senator JOHNSON. Isn't that exactly what it means?

Senator KILGORE. Certainly, transportation is an industrial segment.

Senator JOHNSON. Is this a limitation on the power and authority of the Director?

Senator KILGORE. No; it is a consulting and advisory service to be rendered to the agencies in their operations.

For instance, you have the same thing right now in the War Production Board down here, they have different small boards from every known segment of industry as consultants that meet there at regular periods with them to talk the problem over.

Senator MURRAY. Do I understand that that be amended then now, the second line to read "with respect to basic policies and programs"?

Senator KILGORE. Yes; at the present time.

Senator MURRAY. Then how would these Federal agencies in the field have anything to do with basic policies and programs?

Do you want to strike out this word "basic" now?

Senator KILGORE. Yes.

Senator MURRAY. It seems to me this shows the section as being badly prepared. It would like to ask the legislative expert here what he thinks of the language. It seems to me it is rather vague and uncertain.

(There was further discussion off the record.)

Senator MURRAY. I would like to suggest that the legislative expert try to study this tonight and bring in a corrected draft tomorrow.

The CHAIRMAN. Gentlemen, we will take an adjournment until tomorrow morning. It is now 6 o'clock. The Chair is going to request Mr. Murphy to try to iron out paragraph (e) that we have just been discussing as well—and we will begin with paragraph (f) tomorrow. What time in the morning would you gentlemen like to meet—10 or 10:30?

Senator MURRAY. Ten o'clock.

The CHAIRMAN. Mr. Murphy, will you try to iron out that paragraph?

Mr. MURPHY. Yes.

The CHAIRMAN. Very well, we will adjourn at this time until 10 a. m. tomorrow.

(Whereupon, at 6 p. m., an adjournment was had until 10 a. m., Friday, August 4, 1944.)

MOBILIZATION AND DEMOBILIZATION PROBLEMS

FRIDAY, AUGUST 4, 1944

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

EXECUTIVE SESSION

The committee met, pursuant to adjournment, at 10 a. m., in the committee room of the Committee on Military Affairs, United States Capitol, Senator Robert R. Reynolds (chairman) presiding.

Present: Senators Reynolds (chairman), Johnson, Hill, Murray, Kilgore, Austin, Gurney, and Revercomb; and Mr. M. W. Latimer.

Also present: Members of the staffs of the committee and the Kilgore and Murray subcommittees.

REPORT FROM THE WAR DEPARTMENT ON THE UNNUMBERED BILL

The CHAIRMAN. We have a report from the War Department which I will ask to be inserted in the record at this point, if there is no objection.

(The report referred to as as follows:)

WAR DEPARTMENT,
OFFICE OF THE UNDER SECRETARY,
Washington, D. C., August 3, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
United States Senate, Washington, D. C.

MY DEAR SENATOR REYNOLDS: I respond to your oral request for an immediate expression of my views with respect to Subcommittee Print No. 2, dated August 3, 1944, of a bill "to provide a national program for war mobilization and post-war adjustment."

In response to a request from Senator James E. Murray, chairman of the War Contracts Subcommittee, I wrote to him on June 14, 1944, with respect to earlier committee prints of S. 1730 and S. 1893 covering some of the same subject matter as the present Subcommittee Print No. 2. As I stated in that letter, the War Department favors adequate provison for unemployment compensation and benefits for servicemen and unemployed war workers. However, as these matters are not within the direct province of the War Department, I shall not comment on the specific provisions with respect thereto contained in title III of the subcommittee print, except as to one section hereinafter mentioned which does directly affect the War Department. For like reason I shall not comment on the provisions as to housing and public works contained in title IV thereof.

I shall, however, comment on titles I and II of the subcommittee print. Some of the principal objections which I expressed in my letter of June 14, 1944, are no longer applicable to the present subcommittee print. Accordingly, with certain amendments hereafter indicated, which we believe to be important, the War Department favors the enactment of these titles in the present form.

1. Section 103 (c), page 7, provides that the Deputy Director shall prepare, upon request of the Board, such reviews of plans, reports and studies, and shall secure for the Board and each individual member thereof, such other information from the Director or any other Government agency, as may be necessary to enable the Board to discharge its functions under this act. The seeking of information as requested by each individual member of the Board would place an undue burden upon the War Department. Furthermore, requests upon the War Department for information from the Deputy Director would duplicate the power of the Director to require reports as contained in the last sentence of section 102 (d), page 6, and would also put an unnecessary burden upon the War Department. It is therefore suggested that section 103 (c) be amended by the deletion of the words "and each individual member thereof" in line 17, and of the words "or any other Government agency" in lines 18 and 19. This will centralize through the Director all requests for information from the departments.

2. Section 103 (d), page 7, of the subcommittee print requires the Director, the Chairman of the War Production Board, and such other Federal officials as shall be designated by the Board, to meet with the Board at least once a month and to consult and advise with it on all basic policies and programs. Here again I believe an undue burden is placed upon officials of the War Department and other departments. The necessity of consulting with the Board on all basic policies and programs might seriously affect the prosecution of the war. It seems to me that the Board would receive sufficient information through consultations and meetings with the Director as contemplated by the provision contained in section 103 (d) of subcommittee print dated June 9, 1944, of S. 1730, and would be able to make its advice more effective in that manner. I therefore suggest that section 103 (d) of the subcommittee print of August 3 be amended to read as follows:

"(d) The Director shall advise and consult with the Board at regular intervals and, at least once each month, shall convene the Board for the purpose of advising and consulting with it with respect to the preparation and the administration of plans and projects under this Act."

3. In my letter to Senator Murray of June 14, I expressed my objections to what is now set forth in section 103 (e) of the subcommittee print of August 3, page 8. This section would require the procuring agencies to consult with industrial or area councils representing industry, labor, and agriculture with respect to "policies, programs, and operations affecting industrial segments or geographical areas." This would seem to require such consultation by the War Department on every award, termination, or modification of any contract and would be wholly impracticable. It seems to us that the area and industrial councils should consult and advise with the Director and the Board to which they are subordinate, rather than directly with the procuring agencies, and that in this way a more unified policy could be obtained.

4. Section 202 (c) (2), page 13, provides that the Chairman of the War Production Board shall establish policies and procedures and, when necessary, detailed programs to be followed by the contracting agencies in selecting individual prime contracts or classes of prime contracts for curtailment, nonrenewal, or termination. It also provides that whenever he deems such action necessary he shall require that the selection of prime contracts or classes of prime contracts for curtailment, nonrenewal, or termination be submitted to him for his approval. In view of the powers and responsibilities vested in the Director by this act, it seems sounder to leave to him the decision whether the selection of individual contracts for curtailment, nonrenewal, or termination should be submitted by the contracting agencies to other agencies for approval. For this reason we suggest that the provision in lines 10 to 14 on page 13 be deleted.

5. Subsection (3), section 202 (c) of the subcommittee print, page 13, authorizes the Chairman of the War Production Board to establish policies and procedures providing for full consultation between the contracting agencies, prime contractors, and subcontractors with respect to the selection of subcontracts for curtailment, nonrenewal, or termination. This seems to imply that the War Department would be required to consult with the prime contractor as to the selection of individual subcontracts to be terminated when a prime contract is terminated. If so, this would be totally impracticable to administer. The number of War Department contracts which will ultimately be terminated will number in the thousands and the number of subcontracts to be terminated will aggregate hundreds of thousands.

6. Section 202 (c) (4), page 13, authorizes the Chairman of the War Production Board to establish policies and procedures with respect to notice of curtailments and terminations. This provision substantially duplicates section 11 (a) (1) of the Contract Settlement Act of 1944, approved July 1, 1944, except that it transfers the authority from the Director of Contract Settlement to the Chairman of the War Production Board. I see no reason for this change in the act so recently approved by the Congress.

7. Section 304 (b), pages 18–19, of the subcommittee print, requires the War and Navy Departments to anticipate so far as practicable the programs of demobilization of service men and to cooperate with the Director of the Selective Service System and the Work Administrator in furnishing full data on such demobilization. The giving of information in this regard might in some cases impair military security. It is therefore suggested that the last phrase in the section (lines 4 and 5, p. 19) be changed to read: "in furnishing such data on such demobilization as military security permits."

8. The subcommittee print of August 3 does not contain a provision similar to section 301 of S. 1730, subcommittee print of June 9, 1944. I note, however, that in a committee print of August 2, 1944, of an alternative proposal for title III such section is again set forth as title III, section 301. The War Department strongly favors the enactment of such section. I hope that it will be reinstated in the bill as finally reported to the Senate.

In the time given me, I have not been able to comment on certain additional minor changes in the draft which we may desire. We would like the privilege of making such further suggestions when the bill is on the floor of the Senate or in conference.

Since you ask to have our comments immediately, we have not been able to consult the Bureau of the Budget and, accordingly, the War Department has not been advised by the Bureau of the Budget as to the relation of this proposed legislation, or our comments thereon, to the program of the President.

Yours sincerely,

ROBERT P. PATTERSON,
Under Secretary of War.

The CHAIRMAN. General Clay, I think we are ready to hear you now.

STATEMENT OF MAJ. GEN. L. D. CLAY, DIRECTOR OF MATÉRIEL, ARMY SERVICE FORCES (ACCOMPANIED BY WILLIAM L. MARBERRY)

The CHAIRMAN. General, will you identify yourself for the record, please?

General CLAY. Maj. Gen. L. D. Clay.

Senator AUSTIN. Why not have his grade and particular assignment?

General CLAY. Director of Matériel, Army Service Forces, in charge of the termination activities of the Army Service Forces.

The Under Secretary of War, Mr. Chairman, asked me to express to you his own regret at not being able to be here this morning because he is attending the funeral of President Quezon. He is quite apprehensive as to the effect of this particular section and the speed with which termination proceedings are conducted. We are trying to develop a termination procedure in the War Department which will insure a very prompt and rapid settlement of contracts on V-day, and we believe that to be the desire expressed in this legislation. All of our efforts are devoted to that end. The problem will be one of great magnitude and it will involve at least a 50-percent reduction in our total program, and of course that means the cutting back, curtailment, or cancelation of thousands of prime contracts and a great many subcontracts.

Speed will, of course, be essential. If in so doing, with our procurement districts scattered throughout the country, we are going to have to consult in the local areas with committees, inevitably it is going to have a very delaying effect on the speed with which we terminate.

In addition to that, the local people are not in a position to make decisions with respect to the contracts which will be cut back and the extent to which they will be cut back. Let us take tanks as an example. They are built in several parts of the country. When termination comes, from a production of around 1,500 tanks a month, we may cut down to 300 tanks a month. Now, in determining the quotas which will be assigned to our field offices, that must be done in Washington and we must tell our field offices how many they will be permitted to contract for, otherwise they will have no basis whatsoever to guide them in the termination of contracts. We must get that information and guidance from the responsible officers in Washington who are in position to advise us with respect to the conditions in the various scattered areas throughout the country. In going to local areas to consult with local committees, to obtain their views, and then come back to Washington to determine how these will be apportioned, we will never do this job quickly and with the dispatch that we feel you want.

We will also be subject to subjecting our people in the areas to a considerable degree of local pressure, which we feel would hamper them in the speed with which they can do this job. Moreover, that information could much better be fed back to us here in Washington to serve as a general policy and guide in determining the cut-backs we make in the specific areas as we send them out in the field. Administratively we just doubt very much the feasibility of being able to consult with the local committees in each and every termination proceeding without causing a delay in the terminations that will be very harmful to the speed with which we think you want us to proceed.

I think that covers our view point.

The CHAIRMAN. Are there any questions, gentlemen?

Senator AUSTIN. Yes; I want to bring directly to the General's attention this new draft. General Clay, have you before you a copy of the draft that has just been submitted?

General CLAY. Yes, sir.

Senator AUSTIN. I would like to ask you if this version of the same thing would be free from any of the objections that you have made to the original version of subsection (e) of section 103.

General CLAY. To some extent; yes, sir. However, in the last paragraph it still provides that the Federal agencies would "consult and advise with such councils with respect to the formulation and execution of policies and programs affecting the industries or areas represented by such councils." If that means the Federal agencies represented by their Washington headquarters, manifestly it would not be practicable for them to consult and advise with the local areas, or representatives from local areas all over the United States unless that were centralized in some agency here. If it means our field offices, it is open to the same objection. In the first place, our field offices do not formulate our policies. Manifestly, with almost 100 procurement offices throughout the United States engaged in active procurement, they must be guided completely by policy formulated in Washington and sent to them. I see no way in which they would be in a position to consult and advise on policy formulation. I think you would have the same difficulties and delay if it is intended to apply that to the local areas that you would have under the present draft of the bill.

Senator AUSTIN. Have you any way of estimating the number of the different councils which would have to be set up in the different areas under such a provision as this?

General CLAY. Well, it is my understanding that the War Production Board now has several hundred industry advisory councils. I presume it would follow the established pattern with respect to such councils. Of course the geographic areas will be quite a problem, because our procurement districts cover different geographic areas from those of any other procurement agency, and you would have a considerable overlapping even with respect to our own procurement agencies. There are no geographic areas which you could set up that would coincide with procurement areas.

Senator AUSTIN. Now I want to ask you a hypothetical question. Assuming, as we did assume in the discussion yesterday, a motor-car industry, and assuming that there were established the industry advisory councils for that industry, and area advisory councils for various geographic areas of that industry, then if you had a problem in Detroit you would be bound by this law to consult, before you established your policies and program affecting the industry, all areas represented by those councils, would you not? I would like to have you tell us what your impression of the effect of the command on you here is. This is a command. It says "shall."

General CLAY. Of course, the broad interpretation of this means you would practically have to, on any major contract, consult any area committee that there was in the United States, because when you go down into your subcontractual field, if you cancel an automobile contract, or change an automobile contract, your subcontracting will extend over a great many areas. That is true of many items. We have just finished the termination proceeding with Allis-Chalmers, for example, in which there were 2,000 subcontracts involved. Those 2,000 subcontracts were scattered over a very wide area. It would depend, of course, on how many subcontracts there were and how wide the extent of the geographic coverage was of each purchase area, and how many of those contracts would involve consultation if carried to the subcontracting level.

Senator AUSTIN. Then there is more than one area involved in the cancelation of a prime contract if you carry it down through to the subcontracts?

General CLAY. It would in general involve many areas, yes, sir.

Senator AUSTIN. Well, now, suppose that your advice from one council was in conflict sith the advice from another council, how could that benefit you?

General CLAY. That is what we are afraid of, sir. That is why we say we think we would be subject to the local pressures, which would make it almost impossible to carry out your speedy determination. Unless they were reconciled and brought together at Washington where the extent of work to be let in each area must be determined, it would be confusing to the man who must operate under such a procedure.

Senator AUSTIN. Has there ever been set up in W. P. B. any area committee before?

General CLAY. No, sir; there are no area committees set up as such.

Senator AUSTIN. Have you any experience, have you anything to show us, to guide us with respect to the effect of overlapping of jurisdictions of such councils?

General CLAY. No, sir; I cannot say that I have. In developing procurement and in using the services of the industry advisory committees, with the approval of the Chairman of the War Contract Board, we extended the over-all industry advisory committee to form integrating committees applicable to our special problem. For example, the manufacturers engaged in the manufacture of tanks and tank components, they have grouped together in an integrating committee so we may advise and consult with them, and in that way we have had material help. However, in building up this very large program of ours, we have done so over a period of 3½ years. While we think it has been built up with tremendous speed, its build-up is, of course, very, very slow as compared to the way it has got to be taken down. We have got to reverse this process of 3½ years in 2 or 3 months. So it seems to me, with the procedures under which we operate, we have got to have broad policies given to us by the director in accordance with the terms of the act under which we can go to our field very quickly with broad principles, because we are not going to be able to make the individual study and do this job in the 3 to 4 months that it must be done in.

Senator AUSTIN. I have no further questions.

Senator KILGORE. I would like to ask the General a few questions.

General, you contemplate it would take from 3 to 3½ years to reconvert, do you?

General CLAY. No, sir.

Senator KILGORE. Why not?

General CLAY. I think so for several reasons. Of course, in the build-up we did not know what we were going to build. Each and every one of these manufacturers today, in the going-down process, at least a majority of them know specifically and definitely what their problem is and what they ought to do in the reconversion. With respect to the actual curtailment and cancelation of work we believe we are set up and equipped to accomplish that very promptly. We visualize telegrams going out on V-day to our manufacturers.

Senator KILGORE. That would be the only warning they would get, just the direct cut-off? Is that the idea?

General CLAY. No, sir; we expect to do more than that.

(Discussion off the record.)

Senator KILGORE. Getting back to Senator Austin's question, as to the area council in the Detroit area and an over-all council on automotive equipment, you would only have the two to consult with; would you not?

General CLAY. No, sir. As a matter of fact, we have local contracting officers on our contracts in Detroit that also make contracts completely outside the Detroit area.

Senator KILGORE. Well, for instance, a contracting officer resident in Chicago, terminating a contract affecting the Detroit area, he certainly would not go to a Chicago area council to consult about the Detroit area.

General CLAY. No, sir; he would not.

Senator KILGORE. He would go to the Detroit area only and talk to that area.

General CLAY. That is right.

Senator KILGORE. Under your present set-up you have some 250 advisory boards on the War Production Board, representing every industrial segment of the country; is that right?

General CLAY. Yes, sir.

Senator KILGORE. You also have area boards on manpower and they fulfill the same functions in the various industrial areas; isn't that right?

General CLAY. You have two committees not operating on production primarily; yes. You have two committees that are operating in other fields. You have the area production urgency committees which purely establish relative urgencies between various types of production as a guide to manpower, and then you have the war manpower priorities committees which having obtained that relative production urgency then direct the manpower to the plants in which it is needed.

Senator KILGORE. That is right.

General CLAY. They are not composed of local representatives, they are composed of representatives of Government agencies.

Senator KILGORE. But don't you also have working with them a local committee?

General CLAY. The War Manpower Commission has in each of the critical labor areas what is known as a labor-management committee which advises the War Manpower Commission.

Senator KILGORE. Your production board in the area consists of what?

General CLAY. It is chairmaned by the War Production Board regional member and is composed of the representatives of the procurement agencies, the Smaller War Plant Corporation, and the War Manpower Commission.

Senator KILGORE. The Manpower Commission?

General CLAY. Yes.

Senator Kilgore. In most cases, with the exception of the procurement agencies, those are local men selected in the area?

General CLAY. I could not answer as to how they are selected. Some of the representatives from our procurement offices may or may not live in that area at all.

Senator KILGORE. The purpose of this last board was to iron out the troubles in the region within its jurisdiction in order to expedite production; isn't that right?

General CLAY. They do not have that broad power; no, sir. Their power is confined to the establishment of relative urgency in production within the area according to a national pattern which is furnished for their guidance. They do have an advisory power, at least I believe it is contemplated that they be given advisory power by the Chairman of the War Production Board to report on the ability of the area to carry on additional production. That has not been done yet.

Senator KILGORE. What you actually do in making out a general program here, shall we say, on shells, you allocate that among your various ordnance districts?

General CLAY. That is right.

Senator KILGORE. Based upon the advice and information that has been going into the War Production Board and into the Army as to their productivity; is that right?

General CLAY. That is correct; yes, sir.

Senator KILGORE. The only thing they do, of course, is give advice and information.

General CLAY. Yes.

Senator KILGORE. And consult with the agencies with reference to that matter in order to see that the production does not lag, that you do not put too much into one area whereas other areas might carry a greater load with greater ease; is that right?

General CLAY. That is correct; yes, sir.

Senator KILGORE. Now, in a reconversion program, don't you believe in a similar situation it would work similarly, with the advice and consultation of these people? They would bring up just the same kind of a situation, they would give you the same kind of advice in the case, for instance, when you decide you are not going to make gun mounts at Pontiac, Mich., advice as to whether or not you could use them on something else, and, if necessary, they could come in and ask to make something else at Pontiac, Mich.

General CLAY. I think those committees would be a very helpful thing in the reconversion. I point out once again, sir, they are committees of Government agencies within the area trying to coordinate, within the sphere of responsibility which has been given to them, the actions of the Government within that area.

Senator KILGORE. Under this last draft the Director, the Government agent, appoints these committees, they are paid for their services and they operate in accordance with the rules and regulations he prescribes. Would not that make them a Government agency also?

General CLAY. Yes, sir, I believe it would make them a Government agency.

Senator KILGORE. In other words, I am not talking here about the idea of a chamber of commerce. I realize there are chamber of commerce pressures and board of trade pressures, and everything else. I am thinking of an arm of the Mobilization Director out in that field to give advice and assistance and counsel to the agencies operating in these different areas. That is what the section contemplates.

General CLAY. I think so. If those committees are going to provide advice and it comes in here, then the over-all picture could be certainly resolved, but our people in the field do not have the over-all information and knowledge to participate in the policy questions that are involved. For example, we are working right now with the War Production Board in connection with this revised Army supply program and it is giving consideration on a national basis as to the general principles of where and how these cut-backs should be made when the time comes. Any information that could be furnished to them from the local area that could influence their broad policies, I think is one thing, but the thing that distresses me, that worries me—I would not say "distresses" but that worries me—I do not believe the time element involved would permit meeting around the table as these individual cases come up. We may have the question of ammunition alone. It will be built in a great many parts of the country. We have got a good many things to decide there, such as whether we are going to close down certain plants or whether we are going to cut back plants on a percentage basis. That depends not only on what we in the Army are doing; it depends not only on what the Navy is doing; it is, going to depend also on the program of the Air Forces. It seems to me in the final analysis, that can only be resolved by the procedure that is established for its consideration on a national and over-all basis. That has to be done really in advance of the fact, because if we do the job you ask us to do on V-day, we have got to terminate these contracts by telegrams.

Senator KILGORE. On the other hand, while you cannot say it and do not say it, an order purely from Washington, without any consultation with anybody in the regions, is likely to result in the absolute crucifixion of a lot of the smaller plants for the benefit of maintaining plants that have a proper lobby in Washington.

General CLAY. I do not say that. I do not say we should not get local advice, but I say the factors that influence the various and sundry areas should be fed in wherever they come from to the Director, or whoever is responsible in Washington, for establishing and formulating the policies which he will give to us to serve as our guide. I certainly think he would take the advice of the area committees and industry committees and give that to us as a guide, and we formulate that and give it to our people. Let us not make our people at the local level have to sit in on these determinations and have a number of them. It would be very confusing, and I think it is asking too much of our men at the local level.

Senator MURRAY. Mr. Chairman, right there I would like to inquire if this is not covered in title II under the title "Industrial Demobilization and Reconversion." Section 202, on page 11, provides:

> Curtailments of war production or terminations of war contracts shall be integrated and synchronized with the expansion, resumption, or initiation of production for other war purposes, and, to the greatest extent compatible with the effective prosecution of the war, of production for nonwar use. To effectuate this policy—
>
> (a) the contracting agencies shall continuously survey—

And so forth. Then it goes on down here on page 12, and it says:

> * * * the Chairman of the War Production Board shall—
>
> (1) establish a Production Adjustment Committee which shall consist of representatives of the Department of War, the Department of the Navy, the Maritime Commission,

and so forth.

Then further on it provides, at the bottom of page 13, that the Chairman of the War Production Board shall—

> (4) establish policies and procedures for providing war contractors and their employees with notice of curtailments in war production or termination of war contracts as far in advance of curtailment or termination as is feasible and consistent with the national security without permitting unneeded production or performance;
>
> (5) consult with other Government agencies, war contractors and subcontractors, and the representatives of the employees of war contractors with regard to obtaining the most effective use in other war production or in production for nonwar use of facilities and manpower released through curtailments in war production or terminations of war contracts.

Would that, Senator Kilgore, adequately cover the ideas that you have in mind?

Senator KILGORE. Well, Senator Murray, the idea of this was to set up machinery whereby the information could be collected for just that very activity, and to make the necessary contacts.

Senator MURRAY. Under this the War Production Board would be in contact with the workers in each locality where these curtailments occurred and would have the benefit of their advice locally in reference to the curtailments and cut-backs.

Senator KILGORE. It is all on a national level there. If the Army, the Navy, and procurement agencies operated on a national level, I would say yes. But they do not operate on a national level, they operate on a decentralized, local level in their actual contracts. The only border line is that contracts in excess of $5,000,000, I believe—that is right, is it not, General?

General CLAY. Yes.

Senator KILGORE. Contracts can be let locally under $5,000,000 without the advice of the Secretary of War, and above $5,000,000 they must be approved by the Secretary of War. In other words, they operate on a decentralized basis in the local areas up to $5,000,000.

General CLAY. Not in telling him what he can contract for. In other words, the local district is furnished a total number which is up to him to get in his area.

Senator KILGORE. That is right, but he does not have to get approval of the contracting parties, he can execute the contract up to $5,000,000 as long as he stays within his quota in his district, without consulting Washington at all, and Washington would know nothing about the detailed operation in that district in which he operates.

Senator JOHNSON. Senator Kilgore, do you think a similar limitation of $5,000,000 of this local application would answer it?

Senator KILGORE. No; you could not put it in because it would operate on that level anyway.

Senator JOHNSON. Is it meant in this amendment here that this council which you set up is only to determine what plant shall operate within an area?

Senator KILGORE. No; they simply advise, that is all they do. They cannot make policies, they cannot enforce anything.

Senator JOHNSON. What is bothering me is how a council in Detroit can determine a matter that perhaps affects Chicago.

Senator KILGORE. They cannot.

Senator JOHNSON. Then what value can they be in the over-all picture?

Senator KILGORE. The only thing they can determine is something that affects Detroit, and they do not determine, they just advise.

Senator JOHNSON. That is what I am asking, if the council's jurisdiction and advice is limited to that area, for instance, as between the A manufacturer, the B manufacturer, and the C manufacturer, or is the council in Detroit going to determine what is going to happen in Chicago or in Birmingham?

Senator KILGORE. No. This limits them to their areas, and they do not determine anything, it is simply a consulting body.

Senator JOHNSON. Then what limit is placed upon them?

Senator KILGORE. No limit, because on contracts in their area there is no limit, except that some contracts must be approved by the Secretary of War and others must not. Is that correct?

General CLAY. That is right.

Senator KILGORE. You might let a contract in the Detroit area for $50,000,000 and you might let another one for $4,900,000; the only difference is that in the case of the $50,000,000 contract the Secretary of War would have to approve, and the Secretary of War would not have to approve the $4,900,000 contract, but it would still be in the Detroit area.

Senator GURNEY. Mr. Chairman, I am sitting here thinking how best we can terminate these war contracts. I would like to ask the general if it is not true that all of these contracts have been let by men that have become specialists in the contracting field for the War Department, the Navy, and others during the past 3½ years. In other words, they had become educated with the industry and with the capacity of the geographical areas through actual contact in getting this material produced. Isn't that right?

General CLAY. Yes, sir; I think that is correct. That is correct not only with respect to our own procurement agencies but also with respect to the War Production Board. We work very closely with the War Production Board in determining whether or not new contracts can be placed in various areas.

Senator GURNEY. Well, now, what I am getting at is this, that these men have gained experience with what industry is doing all over the country through their daily contact, through contact during the last 3½ years. I presume, in the absence of bills such as this, it is the plan of each purchasing department of the Government to cancel these contracts after getting the advice of these men that have gained experience with the different areas and industries in placing the contracts through the last 3½ years. That is correct, isn't it?

General CLAY. That is correct; yes.

Senator GURNEY. In the absence of some such directive as this.

General CLAY. Yes.

Senator GURNEY. And therefore undoubtedly there would be less confusion in using the present set-up to cancel the contracts, spread them out, by using the existing agencies rather than by setting up a new agency, or setting up numerous expanding agencies, where you have got to contact local councils and industry councils. It is your plan, is it not—that is, the War Department, speaking directly as to one agency—to continue to get advice on canceling contracts from the same agencies you got advice heretofore in letting contracts, is that right?

General CLAY. Yes, sir.

Senator GURNEY. That is all.

Senator AUSTIN. I would like to ask one further question about the effect of such a statute as this. Is it correct to assume that the cancelation program involves, in many instances, production units, individual industrial units, that are producing a very large volume per day? Is it not right to assume that?

General CLAY. Yes, sir.

Senator AUSTIN. Now, then, if that is so, and if you are obliged to postpone the termination, which must be made in Washington, the cancelation made in Washington, or cut-back made in Washington—if you were required by law to postpone it for the purpose of making a consultation, which shall not be binding but just a conference, is not the practical effect of that to build up a vast quantity of surplus

material that will add to our problems in dislocating the economy of this country?

General CLAY. Certainly any delay, even of a few days, would have a very great tendency to do that, Senator; yes, sir. The volume of our production is such that a few days' delay would mean millions of dollars of additional work in process.

Senator KILGORE. General, is not there also this fact to be considered, that in the termination of contracts, when you terminate the contract the production has started way back at the base line? As a matter of actual fact you started with the ore in the ground, or in the plant itself it started with the prefabrication of some very small part, and if that can be curtailed at the base line in advance, if that is worked out right, it will not have a tremendous volume of partially fabricated material that must be scrapped but they will be able to utilize a lot of that in the completed production if the production is tapered off instead of being chopped off; isn't that right?

General CLAY. That is very true; yes, sir.

Senator KILGORE. According to the newspapers—and I speak only from the newspapers—we are going into an expansion of production on projectiles, shells, bombs, and things of that kind, and you are probably of course tapering off on some other items on which you feel you have built up a sufficient backlog. Of course in the shells you do not get so much scrap because you just have your forgings, you make your fuzes, and you do not build up such a terrifically long production line on small parts. Now, if in an area that production is changed around, a manpower problem arises there, creating a terrific unemployed manpower load in that area, if that production is not curtailed in some systematic way, isn't that right?

General CLAY. I think that is true, sir.

Senator KILGORE. For instance, let me give you an example that I ran into the other day. A zinc smelter has been fighting for 3 months now to get its classification changed. It is on an allocation system. In other words, its material is allocated, yet zinc is now surplus and is being stock-piled. The source of its raw material plus its labor cost make it lose $4,000 a month of actual cash expended, not including the overhead of its corporate management. If it could be taken off the allocation system, the O. P. A. would raise the ceiling price on its zinc and it could dispose of every pound of it to private industry, but it is still allocated, there is still the O. P. A. ceiling, on which it cannot manufacture the zinc. The only thing they told him to do was, "You just better shut down," yet there are industries in its back yard crying for zinc, which is very much needed in such things as galvanized iron, flashing for building roofs, and things of that kind, but it cannot sell that zinc because it is still on allocation. Now, somebody has failed to study the zinc condition there and give advice.

To add to its trouble, it is allocated to a source of supply which is still going on and piling up, at Government expense. That is the Joplin, Mo., concentrate plant, and that concentrate is piling up an absolutely useless thing, whereas the zinc in ingots would find a ready market, without curtailing anything. That plant could use the Joplin supply if it could get off allocation, but it cannot get off allocation and therefore it cannot get its price ceiling changed so that it can dispose of the product. The man who runs that plant is one of many people in the United States who are in the same shape right now, due to the fact that nobody has been looking after them. They have no approach, they have no industry council with which the Zinc Section of the War Production Board consults.

Senator GURNEY. Senator Kilgore, isn't there a Zinc Section in the War Production Board?

Senator KILGORE. Yes; but it does not function. It is purely a group of Government officials down there who do not necessarily represent the zinc industry by a big sight. I am referring, Senator Revercomb, to Mr. Brooks, of Moundsville.

General CLAY. I think undoubtedly you will have a number of situations like that.

Senator KILGORE. That is what we have been trying to remedy.

General CLAY. I think in that picture, and a great many pictures that must be a very definite correlation of other factors, you still have to resolve it here in Washington, because ordinarily you use the zinc in combination with copper or in combination with iron and steel, it is very seldom used in pure zinc.

Senator KILGORE. Except in making plate or sheet. Of course, you use pure zinc in making zinc sheet, and you use pure zinc in cutting it up for washers.

General CLAY. Then you have the other problem that might be involved in it, that is, the limitation orders which would not permit certain things to be made because of the fact they have to be made in critical labor areas where labor is not available.

Senator KILGORE. If they shut this plant down they are going to shut a town down.

Now I would like to ask Mr. Murphy a question. Under the draft that you prepared, would that cause a consultation in each individual case?

Mr. MURPHY. I do not think so; no, sir. The language is that the agencies shall consult in accordance with the rules and regulations, "consult and advise with the councils with respect to the formulation and execution of policies." It provides that those consultations should be had periodically, that is, monthly

Senator KILGORE. I think the thing that breeds the fear here is the fear that the Director may direct that every time they cancel a contract for a pound of nails they will have to have an order from the Director.

Mr. MURPHY. The Director may make such provisions in his rules and regulations, but he is not required to under this draft.

The CHAIRMAN. You say there is no wording that embodies compulsion? It says "shall."

Mr. MURPHY. They shall consult and advise. It does not say when they shall consult and advise. They leave it to the Director to determine.

Senator HILL. They leave it entirely subject to the rules and regulations of the Director?

Mr. MURPHY. That is right.

Senator REVERCOMB. But they must consult and advise.

Senator AUSTIN. The statute prescribes the rules and regulations relate only to how and when. The statute is the mandatory thing.

Senator HILL. The statute imposes upon them the duty to carry out the rules and regulations that he prescribes.

Senator AUSTIN. Yes, I know, but the point is this——

Senator HILL. But the point is, if he wants to prescribe that they would not consult but once every 6 months, under the statute he could prescribe that way.

Senator AUSTIN. I do not think so.

Senator REVERCOMB. Would not that be an evasion of the command to consult?

Senator AUSTIN. That would be in conflict with the statute itself; yes, sir. The statute is mandatory. Why put this obligation on the Federal agencies? Why not, if you are going to have an appointment of these advisory councils, put the obligation on the advisory councils in some such manner as this:

> It shall be the function of each council to study the conditions of its locality or region that may be affected by or affect the policies prescribed by the Director and to determine in what manner local resources and facilities can best be utilized to implement the policies prescribed by the Director. Each council shall, from time to time, make report to the Director embodying the results of their study of local conditions, and also making any recommendations they consider advisable as to handling specific local problems. The council shall, when requested by the Director, make studies and report on specific subjects within their locality.

It seems to me if we are going into this thing we should put the duty on these councils to respond to the requests of the Director and not turn it around and say that—

> all Federal agencies performing functions subject to the jurisdiction of the office shall, in accordance with rules and regulations so prescribed, consult and advise in such councils.

I think that is in reverse of what it ought to be.

Senator KILGORE. The only question in my mind is how the councils will know anything unless they do get a chance to consult with the agencies that they are operating with.

Senator JOHNSON. They will know their local conditions, will they not?

Senator KILGORE. They will know their local conditions. Your local condition may be a certain thing, but if you do not know what is going to happen to the local condition, you cannot make up very much of a plan.

Senator JOHNSON. You can study your local condition, and that is about as far as they ought to go, it seems to me. A local condition cannot control a national policy.

Senator KILGORE. Oh, no, no; only a local operation, but the Army, Senator Johnson, does operate under local conditions. Just as they break up their contracts, they break up their requirements, they spread them into regions or districts, they operate on the local level. That has been the policy of the Army for the past 20 years, hasn't it, General, a decentralized operation?

General CLAY. Yes, sir; but there again not with respect to the number of items which a field office has to produce in the area. It seems to me the significant factor in this picture is the decision must necessarily be made in Washington.

Senator KILGORE. I quite agree with you. My idea was not that the local council could tell that they do the business there, but give advice and consult with them as to how best to spread what they were producing and how best to spread their local terminations, to give them information.

General CLAY. I just do not believe you are going to have the time. I just do not believe time is going to permit it when we actually start into this operation. Take their general condition, how much war production they have in their area, what the possibilities of peace production are, and place that in the hands of the policy agency in Washington so it can give that advice to us. Tell us the conditions of this particular area are going to be very acute, and we think you should perform as much work in this area as possible. In this area the big problem is to get it converted as quickly as possible, to pull out as much as you can. Those are the kind of policy decisions that we need as guidance to us from the Director of War Mobilization or Deputy Director established under that act.

Senator KILGORE. Let us take it on the regional area, which should be rather large, the geographical area, and let us take it legislatively on the basis of power that the Congress of the United States granted to the Army and various agencies, the right to seize machinery, to seize plants, to convert those plants, to increase or reduce allocation of material to the plants, thereby dislocating completely the former industrial set-up. Now, if those people do not have something to say, or at least the ability to go to this same agency or to those same agencies to advise and consult with them about their problems, the problems of that region and area that have been brought about by dislocation, which the Congress of the United States imposed upon them, if the Congress does not give them a right to come back and state their troubles and advise and consult with the agencies that did it, where are the people going to be? In other words, it is a wrong without a remedy.

General CLAY. Do not ask our field officers and our War Department to go to them locally. We want to go to the Director of War Mobilization and have him tell us the general policies under which we can do this.

Senator KILGORE. These people cannot tell you?

General CLAY. They can pass their information to the Director of War Mobilization, who can use it in formulating the policies which guide us. We want the policies to come from the Director of War Mobilization; we want him to tell us what to do, and then we think we are going to be able to execute it as an operating agency, but we do not want to either sit in on the formulation of a policy, except as he asks us to, or to participate at a local level in the formulation of a policy. That has got to be decided by the Director of War Mobilization under the terms of the act. If that flow of information is to the Director of War Mobilization and then from him in the form of instructions to us, we would be perfectly happy to work under that procedure, and we think we could do so successfully.

Senator JOHNSON. Senator Kilgore, you said a moment ago you thought it would be helpful to taper off instead of chop off.

Senator KILGORE. As much as possible.

Senator JOHNSON. I am very much in agreement with that. To what extent and in what manner does subparagraph (e) promote tapering off instead of chopping off?

Senator KILGORE. It does not; it promotes the conversion so that the stuff can be shifted from one plant to another. For instance, let me give you an example. In my State we have a lot of machine shops to take care of the coal-mining business and oil-field business. At the

outbreak of the war the big shops in Detroit and Chicago and Pittsburgh, and others, came in and took skilled labor away from them, and when they lost their material their shops had to shut down and this machinery was moved out. That is something which, of course, we cannot handle through any area board. If we could we would be in shape to get those shops built up again.

I can see the same situation arising in a big war-production area like Detroit or Los Angeles or San Francisco or Chicago where the national policy is operating in the same manner that the agencies operate, operate at a local level. If you give us certain curtailments, those curtailments applied wrongly may wreck the economy of that town, of that area, or damage us severely, whereas, if the local industrial people and manpower people have a chance to come in there and consult with them, the spread of that termination can be made in such a way that a civilian industry will spring up right under it. That is the purpose of it.

Senator JOHNSON. Isn't it your expectation that having paragraph (e) in there will cause the War Department and other agencies in Washington to play the game just a little ahead of the sheriff?

Senator KILGORE. They try to play it just a few jumps ahead of the sheriff, that is right. That is a good expression.

Senator GURNEY. Senator Kilgore, let me ask you this: Does not every industry know now if they have got a war contract and the war ends then that contract has got to be canceled?

Senator KILGORE. Sure, and that is why men are moving out of industry; that is why we are having a manpower problem right now. They are dropping out of the shipyards at $80 a week and going to the mines at $40, because they figure the mines will have steady employment after the war and the shipyards will be chopped off with no notice. Recently we had to get the coal operators in my State to stop a drive in getting men from the shipyards. The Manpower Commission had to set their foot down and say, "No; you are not going to do that." They had the thing all arranged.

Senator GURNEY. That is what we want them to do, is get back into the mines and get back into peacetime industry.

Senator KILGORE. When the time comes, yes; but we want to hold them where they are until we get this job finished.

Senator REVERCOMB. That is just the point I want to make on the subject at hand. I do not see how these numerous advisory councils can affect the chopping off, or will affect in any way the movement of men from one industry back to another industry. It seems to me that the creation of numerous councils here will confuse and slow the process of conversion.

Senator KILGORE. This takes the place of all of them. At the present time the Manpower has advisory committees in every area, the Federal Security has advisory committees in every area, I do not know how many, all the separate war agencies have advisory committees in every industrial area, and this is simply reducing it to one committee.

The CHAIRMAN. Senator, isn't it true that in every single community in the United States, where you consult an advisory committee in that area, they are going to protest any closing down of anything?

Senator KILGORE. I am not talking about communities, I am talking about areas.

The CHAIRMAN. You can go to the smallest village in the United States where there is some war industry, or go into any town of 25,000 or 50,000, and you start closing them down, you have a protest from the chamber of commerce and every other business organization in the town running to Washington. In eastern North Carolina they wanted to close up a camp down there, Camp Davis, and the publisher of the newspaper and many others came up here to talk to the War Department.

General CLAY. Yes.

The CHAIRMAN. Every time you cut off anything, every time you consult with the councils here, you will have a protest and you will never get anything done, in my opinion. You will have a protest from everybody in the United States.

Senator KILGORE. You are going to have it anyway. The local chamber of commerce and everybody else will come tramping into Washington.

Senator GURNEY. Senator Kilgore, isn't this a fact: When you get down to the final show-down, the plants have got to be closed, you have got to withhold the orders that they have been having. That is what you have got to do.

Senator KILGORE. That is right. You are absolutely right on that, but here is the point I am making: This is not a 1-plant proposition. You may have a number of plants to deal with, that is right, and you are going to have to do something in that region. Then the question of policy comes up: How is it going to be done on 10 plants here?

Senator GURNEY. That is what finally has got to be done, is stop these orders from going out.

Senator KILGORE. Yes. Not stop the orders that are already out, because I think everything has been ordered, except changes.

Senator GURNEY. All right. Has not the Government provided already the cushion that is needed for reconversion?

Senator KILGORE. In What?

Senator GURNEY. In the fact that civilian workers in the communities have had prosperity for 3 years, civilian workers have been getting extra good pay, long hours at time and a half and double time on Sunday; they should have a cushion of money to allow them to go back to the mines or to their peacetime pursuits.

The law has been written and signed so that the Government will take care, as far as it can, of reconversion cost for the industry. The War Department has full authority to go ahead and make a contract to reconvert.

Your industry, too, has been making some profits. They have, so to speak, some cushion to get back into peacetime production. So it seems to me that the Government has done pretty well, not only by industry but by labor, too. Now, if labor has squandered the savings that they could have made, that is just too bad. It shows they are not thrifty, because they have been making big wages. I think they have got a cushion, personally, because the records prove that they purchased bonds in huge quantities.

Senator KILGORE. But we do not want those bonds sold, or we are going to have to refinance the bond issue.

The CHAIRMAN. General Clay, as I understand it, all you want is some machinery by which you can make the speediest disposition of

all these contracts without injuring any particular person in any particular community, and in the solution of your contract proposition, the getting back of the contract, so to speak, you would naturally take into consideration the needs of that community, the economic situation; would you not?

General CLAY. To the fullest extent that we could, sir.

The CHAIRMAN. Insofar as you could?

General CLAY. Yes.

The CHAIRMAN. What is the difference between the manner in which you have been operating with these councils and what is expected here under this verbiage?

General CLAY. The councils are advisory, the ones which we work with, which we have designated ourselves. We consult them when we want their advice, but it is not mandatory to do so. If it involves a delay, we do not consult them. Under the statute it would be mandatory and it would inevitably involve delay, because, as we interpret it, as a congressional directive, we necessarily have to consult with each of these committees prior to taking action. It would be a mandatory act which would certainly serve to delay.

I would like to say on this question of selectivity that you asked about, actually there is not nearly as much selectivity in where you are going to cut back work as you would expect. Actually, while we build many kinds of munitions, we build a specific type of munition usually in only one or two plants. Even in the truck field, we build a specific type of truck in two or three factories. When you actually get into the question of cut-backs, you haven't a great deal of choice as to where you are going to cut that work. It is limited to a choice between two, three, or four manufacturers.

Senator KILGORE. There is one other point I want to get in the record at this point, General. You know about War Production Board Order No. 50 which goes into effect August 15?

General CLAY. Yes.

Senator KILGORE. In which the release of material to plants will be made at the local level, in the region, and not handled by Washington at all, so a plant which is cut back will have to go to the local level to get any material to operate on in the future.

General CLAY. I think that is very, very true, sir, and I think it is a good way of working it. As I understand it, there will be a quota allocation of materials to each of the regions within which they will work, so you again get back to quota allocation from Washington.

Senator JOHNSON. May I ask the general a question, Mr. Chairman?

The CHAIRMAN. Certainly.

Senator JOHNSON. The general said a moment ago, under paragraph (e), before any action could be taken, he would have to go and consult these councils. I would like to have him point out any such language or any such provision in paragraph (e). I do not find it.

Senator AUSTIN. It is right there [indicating].

Senator JOHNSON. I mean before you can take any action at all.

The CHAIRMAN. He is speaking of the substitute.

Senator JOHNSON. Yes; and I am speaking of the substitute.

General CLAY. I would interpret that last paragraph to mean that you could not take any action until you had formulated the policies under which you were going to take it, and therefore you would have to go to these areas and consult and advise with them before you could

even make policy decisions as to where and how you are going to terminate.

Senator JOHNSON. What is to prohibit you from going to these areas sometime previous to the day of cut-back under this bill?

General CLAY. I think we probably could.

Senator JOHNSON. You could have that all worked out before you issue the final order.

Senator KILGORE. That is the theory of the section.

General CLAY. Our situation with respect to what we are going to do is such a changing and flexible situation that I would hesitate very much to go to the specific areas with respect to that problem too far in advance. I think we would get into very serious difficulties.

Senator JOHNSON. You know right at this minute that at a certain hour you are going to stop the production of tanks, you know you are going to stop the production of airplanes, you know you are going to stop the production of everything that you need in the war effort, and you know the areas where these things are produced, you know it right now, you know the time is going to come when you are going to send that telegram, "Stop." Now what is there in this paragraph that keeps you from making a study previous to your final stop order? I am asking these questions because it seems to me General Clay has stated and believes that under this paragraph, after he reaches his decision to stop, after he reaches his decision to send out that telegram to stop, that then he has to go to the council. I do not believe that that is the theory of it.

Senator KILGORE. I cannot see it under this paragraph. I will ask Mr. Murphy if that is a fact, from a legislative viewpoint.

Mr. MURPHY. I would not so construe it.

Senator REVERCOMB. He would have to do it if the rule was made by the Director.

Senator MURRAY. I would like to ask if Senator Kilgore thinks this might correct the situation: Insert at the end of subdivision (4) of Mr. Murphy's draft, down at the bottom of the first page there, the following:

and such rules and regulations shall contain appropriate provisions protecting confidential Government information and preventing the operations of such councils from unduly interfering with or delaying the operations of Federal agencies,

and then at the end of Mr. Murphy's draft include this:

Provided, That full information on all such councils be submitted to the Attorney General and no such councils shall continue operations if the Attorney General rules that in their present form they tend to promote restraint of trade or the extension of a monopoly.

Senator KILGORE. I think that should wipe out every kick you have.

The CHAIRMAN. What do you think about that?

Mr. MURPHY. I think that gets into questions of policy, as to whether that removes objections.

The CHAIRMAN. What is your opinion about it, General?

General CLAY. I would like to read it.

Senator GURNEY. I might say, Senator Kilgore, while we have very few war industries in South Dakota, they are very, very, small, possibly not being any larger than, say, $100,000 per year in any

particular contract, and because our State is almost entirely agricultural, I do not believe there is an advisory council in our State on any Government contract.

Senator KILGORE. I did not get that last expression.

Senator GURNEY. I say I do not believe an advisory council is in any part composed of South Dakotans who represent or were representatives of industry, small though it is, in South Dakota. In other words, there is no advisory council from my State. That means to me that when the chop-off comes, or the tapering off the contracts comes, the people in our State, including the farmers, will take it, like it, and figure out their own solution. It could not be otherwise.

Senator MURRAY. Is there anything before the committee now?

The CHAIRMAN. We are waiting for a comment from the general.

Senator MURRAY. Mr. Chairman, I would like to ask General Clay if he thinks that the suggested amendments there would obviate his objections.

General CLAY. They do not quite, Senator. I think they would if the last paragraph read that—

the Director of War Mobilization shall consult and advise with such councils with respect to the formulation and execution of policies and programs affecting the industry or areas represented by such councils, and shall also prescribe—

and if you added—

and shall also prescribe the extent to which the procurement agencies will consult and advise with those councils.

Senator KILGORE. I have no objection to that.

Senator HILL. Why not put it that way?

Senator KILGORE. It is the intent of the section anyway.

General CLAY. It would take care of all of our objections if it were on that basis.

Senator MURRAY. Mr. Chairman, I move that Mr. Murphy be instructed to redraft that provision in consultation with General Clay.

The CHAIRMAN. All right. While General Clay and Mr. Murphy are redrafting that subsection (e) on page 8, we will proceed with subsection (f), which reads:

All appointments of members or alternates to the Board, and of members of the area and industry to the joint councils, may be made without regard to any of the provisions of law with respect to the appointment and compensation of employees of the United States. Members and alternates of the Board and of the joint advisory councils shall serve without remuneration, except for per diem allowances as shall be prescribed by the Director, not to exceed $25 each day spent in the actual performance of duty, plus necessary traveling and other expenses incurred while so engaged.

Senator KILGORE. I move that we strike from line 15, page 8, the words "and of the joint advisory councils."

The CHAIRMAN. Is there any second to that?

Senator MURRAY. I second it.

The CHAIRMAN. Without any objection, it may be stricken.

Now we will go to subsection (g), which reads:

The executive secretary of the Board, through the facilities of the Office, shall provide the Board with an adequate technical and clerical staff.

Senator AUSTIN. Mr. Chairman, I submit for consideration the propriety of striking out "The executive secretary of the Board, through the facilities of the Office," and substitute for it, "Director,"

and striking out "an adequate", and inserting "such", changing the period to a comma and adding the words "as may be necessary". It would read then:

The Director shall provide the Board with such technical and clerical staff, as may be necessary.

The purpose of it is to minimize and save the building up of another huge organization. If you put it in the hands of the Director, then you have the whole field covered, whereas, if you leave it in the executive secretary of the Board, you take it out of the hands of the Director, he would have nothing to say about it.

Senator KILGORE. Are not you putting the Board under the complete control of the Director?

Senator AUSTIN. I do not think so. Before we get through I am going to move to strike the "Deputy Director" out of the legislation. I think that is advancing backward.

The CHAIRMAN. You want to make a motion now?

Senator AUSTIN. I do. I have made it.

The CHAIRMAN. Is there a second to that motion?

Senator GURNEY. I second it.

The CHAIRMAN. All in favor of the motion, let it be known by saying "Aye." Those opposed, "No." It is carried.

Will you read it, please, Senator, slowly, so I can get it?

Senator AUSTIN (reading):

The Director shall provide the Board with such technical and clerical staff, as may be necessary.

Now, that contains the element of necessity as well as the element of control.

Senator KILGORE. I want to call your attention to one thing in there, and that is these words, "through the facilities of the Office." That was put in there for the purpose of loaning the people out of the facilities of the Office of the Director, the necessary personnel, so you would not have a personnel that were only working when the Board was there.

Senator HILL. Why not keep those words in there?

Senator AUSTIN. All right. My purpose is economy. That is all right.

Senator MURRAY. You amend the motion to that effect?

Senator AUSTIN. I amend the motion by leaving in the words "through the facilities of the Office".

The CHAIRMAN. Without objection, that may be done.

Now, we go to section 104 (a), which reads:

There is hereby established a Special Joint Committee on Mobilization and Adjustment (hereinafter referred to as the "Committee") to be composed of four members of the Senate (not more than two of whom shall be members of the majority party) to be appointed by the President of the Senate, and four members of the House of Representatives (not more than two of whom shall be members of the majority party) to be appointed by the Speaker of the House of Representatives. Vacancies in the membership of the Committee shall not affect the power of the remaining members to execute the functions of the Committee, and shall be filled in the same manner as in the case of the original selection. The Committee shall select a chairman and a vice chairman from among its members. The Committee is empowered to appoint and fix the compensation of such experts, consultants, technicians, and clerical and stenographic assistants as it deems necessary and advisable. The Committee may utilize such voluntary and uncompensated services as it deems necessary, and is authorized to utilize the services, information, facilities, and personnel of the departments and agencies

of the Government. The expenses of the Committee shall be paid one-half from the contingent fund of the Senate and one-half from the contingent fund of the House of Representatives upon vouchers signed by the chairman.

Senator HILL. I am going to move to strike the whole thing out. We have the George committee already, we have the Colmer committee in the House of Representatives, we have the standing committees, so why should we have another committee now?

The CHAIRMAN. Is there a second to that motion?

Senator KILGORE. I will second that.

The CHAIRMAN. All who are in favor of the motion make it known by saying "Aye." Those opposed, "No." The motion is carried. That is to strike out section 104 (a).

Senator AUSTIN. This is going a little fast for me. I want to say here that this action now taken is in conflict with the recommendation of the George committee and the Baruch committee. I recall there was a discussion in the George committee about this. One of our members, Senator O'Mahoney, was very much interested in this particular thing. He is absent. I just want you to know there is a background here that may rise up by and by as a result.

The CHAIRMAN. Well, we have already passed on it.

Senator AUSTIN. That is all right. I am giving you notice of the situation that is back of this.

Senator KILGORE. I thought myself, with the two committees existing, it would be useless to put it in.

Senator AUSTIN. I want to be recorded against striking it out. I have cooperated, to such extent as I was able to, with Senator O'Mahoney in the introduction of this idea into the legislation. Of course, all we could do would be to recommend.

Senator KILGORE. Senator Austin, may I ask a question? Did not Senator George object to that at first but finally agreed with Senator O'Mahoney?

Senator AUSTIN. I do not know. The truth is, the June 9 draft of the George bill contains a corresponding section. Section 104 (a) on page 7 of the June 9 draft of the George bill contains it.

Senator REVERCOMB. I did not vote on that, gentlemen, I am sorry.

The CHAIRMAN. That is all right, we will bring the question up again.

Senator HILL. Mr. Chairman, I made the motion. If they want to take another vote, all right. I am going to press my motion. We have the Colmer committee in the House, we have the George committee in the Senate, and I do not know any reason why we should come along now, and set up this committee.

Senator REVERCOMB. This is a rather permanent committee.

Senator HILL. I don't know whether we want a permanent committee or not. This Senate Committee on Military Affairs is a permanent committee on this subject. There is too much disposition to set up a lot of special committees, in my opinion. We have a permanent committee right here now.

Senator REVERCOMB. Here is one dealing with a particular subject, that would give it particular attention, Senator Hill. I am rather impressed with the soundness of it.

Senator AUSTIN. Of course, the theory of Senator O'Mahoney was that this demobilization and adjustment affects every nook and corner of the United States, and touches the lives and homes of all

the people of the United States directly. If we want to establish an atmosphere of confidence in this country following the war, that will give courage to the returning soldier and to the demobilized industrialist, we could do it largely by having in Congress a committee, a congressional committee always vigilant and always on hand to look after their interests.

Senator REVERCOMB. And who will consult with the President and the Director.

Senator AUSTIN. Yes. That was the theory of it. It was a democratic principle.

Senator MURRAY. Senator Austin, would this contemplate the termination of the George committee and the other committee in the House, and have this as the permanent committee?

Senator AUSTIN. I cannot see what effect it would have on those other committees.

Senator MURRAY. There would not be any need to have them both.

Senator AUSTIN. That is another question. Title I is worked on an over-all organization to do this detailed planning, and in it by this section 104 (a) in the George bill, and it is section 104 (a) also in the Murray bill, we included in this organization participation by Congress through a committee.

Senator HILL. That is my thought exactly.

Senator REVERCOMB. I thought this committee was to devote itself entirely to the subject of reconversion. I had not thought about supplanting any particular committee, but I suspect it would supplant it and devote its time and attention to the recoversion program, and consult with the President and with the Director, as representatives of the Senate and of the people with respect to any item of reconversion that may arise in any policy. I thought it was a rather good part of this administrative program.

Senator HILL. Of course that is the very thing that the George committee has been doing, is it not?

Senator REVERCOMB. The George committee has been formulating legislation.

Senator HILL. It formulated recommendations but not legislation, because it is not a legislative committee.

Senator REVERCOMB. That is correct, it is not a legislative committee, but it makes recommendations upon legislation. I do not know what the size of the George committee is. What is its membership?

Senator AUSTIN. Ten.

Senator REVERCOMB. This is a committee of four. It would be, perhaps, a very active committee, to devote itself to this particular work. Certainly one of the most important undertakings of the Government today, there is nothing more important to the country, and with a committee of this kind devoting itself to this particular subject I believe the Senate would be better advised, and the country better advised, than if we simply left it up to our own Military Affairs Committee.

Senator JOHNSON. Senator Revercomb, if your theory is correct, the first thing we should have done before we passed the termination of contracts bill, and before we started considering any of these bills, would have been to create this committee. After we pass all the legislation, we come here and create the committee.

Senator REVERCOMB. This committee is more a committee of information, not a legislative committee at all, as I see it. We have had committees upon drafting the legislation.

Senator JOHNSON. What is this committee, then?

Senator REVERCOMB. This committee is more or less a committee that might inform the Senate, or inform this committee of what is actually being done and carried on by the Director in carrying out this program of reconversion.

The CHAIRMAN. Why should not this Committee on Military Affairs do that?

Senator REVERCOMB. The Military Affairs Committee, with all its duties and its great scope of work, would be less likely to devote as much attention to the subject as a special committee upon that subject.

Senator GURNEY. As I see it, if we appoint two members of the Senate to such committee, that would have the far-reaching duties that we prescribe for it, those two members would practically have to divorce themselves from every other activity of the Senate. They would just say, "All right, this is all I am going to do." I do not know what Senator would feel like taking on that kind of a job.

Senator REVERCOMB. Well, when we undertake any particular piece of legislation such as this, we almost have to divorce ourselves from any other work in the Senate.

Senator HILL. Certainly we have the George committee today, and we have the Colmer committee, and we have the Senate Committee on Military Affairs, and we have the House Committee on Military Affairs, too, and the Finance Committee, so I do not see where we need this other committee.

Senator JOHNSON. We have too many committees in the Senate now, I know.

The CHAIRMAN. Do you want to renew your motion?

Senator HILL. Yes, sir.

The CHAIRMAN. Is there a second to Senator Hill's motion?

Second KILGORE. I second it.

The CHAIRMAN. All in favor of that motion will please let it be known by raising their right hands. There are six. Now, all those opposed to it, please let it be known by raising their right hands. There are two opposed to it, so the motion is carried and we strike all of section 104 (a).

Now, Senator Hill, immediately following that is subsection (b), stating the function of the committee.

Senator HILL. My motion applied to the whole thing.

The CHAIRMAN. That is down to title II?

Senator HILL. It goes down to title II on line 21, page 10.

Senator AUSTIN. Now, Mr. Chairman, before we leave title I, I want to make a motion that affects the whole of the title. I move to amend that title by striking out all after the enacting clause and substituting therefor the substance and text of the George-Murray bill as it is expressed in the subcommittee print, dated June 9, 1944, of S. 1730, excepting the following——

The CHAIRMAN. What page is that on?

Senator AUSTIN. Page 2, the paragraph marked "(b)," from line 15 to line 24, both inclusive, and on page 3, in line 5, the words "and with the assistance of the Deputy Director."

Senator GURNEY. Senator Austin, I did not follow you. I do not have the copy in question.

Senator AUSTIN. Yes. I move to amend title I by striking out all after the enacting clause and inserting in lieu thereof the text of title I of the George-Murray bill, S. 1730, subcommittee print of June 9, 1944, omitting therefrom the following:

On page 2, all of paragraph (b), lines 15 to 24, and on page 3, eliminating from line 5 the words "and with the assistance of the Deputy Director."

Senator HILL. In other words, as I get the purport of the Senator's motion, he moves to substitute for title I of the bill on which we have been working, title I of the George bill, S. 1730, with the exception that he strikes from title I of the George bill the provisions with reference to the Deputy Director. Is that correct?

Senator AUSTIN. That is correct.

Senator GURNEY. Also in title I, Senator Austin, there is a similar section 104 that we have just voted out.

Senator AUSTIN. Yes, but I cannot consistently ask to have that taken out of here and vote against it.

Senator JOHNSON. I do not know why you cannot. The majority ought to rule in this committee.

Senator AUSTIN. One of you can, I should think.

Senator HILL. I am going to vote against the whole substitute, so of course I do not have to help to perfect it.

Senator REVERCOMB. Let me make this inquiry: The principal difference between the offered substitute and title I of the unnumbered bill may be found in that the substitute does away with the office of Deputy Director and also does away with these numerous local area and industrial councils. Is that correct?

Senator AUSTIN. That is correct.

Senator GURNEY. Mr. Chairman, in order that I can vote for Senator Austin's motion, I would first like to move to amend his motion by striking out section 104.

The CHAIRMAN. You mean of the unnumbered bill?

Senator GURNEY. No, no; I move to strike out section 104 of the George bill. I offer it as an amendment to Senator Austin's motion. In other words, I offer it as a substitute motion. His motion, plus mine, would delete section 104.

Senator HILL. The Senator has offered a substitute. It is in order now to offer any amendments to the substitute, to perfect that substitute. You just move to amend this substitute by striking out that section?

Senator GURNEY. That is right.

The CHAIRMAN. Is there a second to that?

Senator JOHNSON. I second it.

The CHAIRMAN. All in favor will make it known by saying "Aye." Those opposed, "No." Senator Austin loses there.

Now, Senator, your motion is in order now.

Senator AUSTIN. I want to ask the chairman if we can vote our proxies on this vote on substitution.

The CHAIRMAN. Well, I do not see why we should not be permitted to vote proxies. We had a telegram from Senator Thomas of Utah,

stating he would not be here this morning. Does anybody have the proxy of Senator Thomas of Utah?

Senator KILGORE. I have his proxy.

Senator AUSTIN. I ask for a roll call. I am eager to have the record show the vote.

The CHAIRMAN. Including proxies?

Senator AUSTIN. Including proxies.

The CHAIRMAN. Is there objection to that, gentlemen?

Senator KILGORE. No objection.

The CHAIRMAN. Then we will have a roll call.

Senator JOHNSON. As long as we have a quorum present we can vote proxies. We have a quorum present; do we not?

The CHAIRMAN. Yes.

Senator HILL. Yes.

Senator GURNEY. I think the custom in all Senate committees is that proxies do vote.

Senator JOHNSON. Providing a quorum is present.

The CHAIRMAN. Suppose you call the roll.

The CLERK. Senator Reynolds.

The CHAIRMAN. No.

The CLERK. Senator Thomas of Utah.

Senator KILGORE. I vote his proxy, "No."

The CLERK. Senator Johnson.

Senator JOHNSON. No.

The CLERK. Senator Hill.

Senator HILL. No.

The CLERK. Senator Downey.

Senator KILGORE. I vote his proxy, "No."

The CLERK. Senator Chandler.

Senator KILGORE. I vote his proxy, "No."

The CLERK. Senator Truman.

Senator KILGORE. I vote his proxy, "No."

The CLERK. Senator Wallgren.

Senator KILGORE. I vote his proxy, "No."

The CLERK. Senator Kilgore.

Senator KILGORE. No.

The CLERK. Senator Murray.

Senator MURRAY. No.

The CLERK. Senator O'Mahoney. [No response.]

Senator Austin.

Senator AUSTIN. Aye.

The CLERK. Senator Bridges.

Senator AUSTIN. By proxy—Aye.

The CLERK. Senator Gurney.

Senator GURNEY. Aye.

The CLERK. Senator Holman.

Senator AUSTIN. By proxy—Aye.

The CLERK. Senator Revercomb.

Senator REVERCOMB. Aye.

The CLERK. Senator WILSON.

Senator AUSTIN. By proxy—Aye.

The CLERK. Senator Thomas of Idaho.

Senator AUSTIN. By proxy—Aye.

The CLERK. Ten against and seven for.

The CHAIRMAN. All right, gentlemen, the motion is lost; now let us proceed.

Senator AUSTIN. Just a moment, please.

The CHAIRMAN. Yes, sir.

Senator AUSTIN. Are we not going to decide on the issue relating to title I before proceeding to title II?

Senator JOHNSON. Is General Clay ready to report on paragraph (e) on page 8 of the unnumbered bill?

Mr. MURPHY. There have been some copies made of the draft. I am checking to see if there are some typographical errors.

Senator JOHNSON. While we are waiting, is there objection to going ahead with title II?

Senator AUSTIN. When we get through with title II, I want to pause at that point in order to raise the question of separation from the other titles. I do not care to separate title I individually, but I am very interested in separating titles I and II from the rest of the bill, and I want a chance to put that question to the committee.

The CHAIRMAN. Did not we have some understanding yesterday about some change in paragraph (d) on page 6?

Senator KILGORE. Just at this time, Mr. Chairman, before we go ahead on page 6, we requested Mr. Murphy yesterday to draft up the proper waiver on civil-service applications, and the proper application.

The CHAIRMAN. That is right.

Senator KILGORE. At this time, on page 6, line 10, after the word "office" and period, I move to insert the following new sentence:

All such officers and employees shall be appointed in accordance with the civil-service laws and their compensation fixed in accordance with the Classification Act of 1923, as amended, except that assistant directors and expert administrative, technical, and professional personnel may be employed and their compensation fixed without regard to such laws.

The CHAIRMAN. Is that what you are substituting?

Senator KILGORE. I am adding this sentence to take care of the point raised yesterday.

The CHAIRMAN. That is on line 10?

Senator KILGORE. Yes, sir.

The CHAIRMAN. Does all of this go in there?

Senator KILGORE. It goes in as an additional sentence in line 10.

The CHAIRMAN. Page 6, line 10, after the word "Office"?

Senator KILGORE. Yes; then this whole sentence.

The CHAIRMAN. All right.

Now, Mr. Murphy, just read this, please.

Mr. MURPHY. Shall I read the whole thing or just indicate where the changes are?

The CHAIRMAN. Just read the whole thing.

Mr. MURPHY. This is a substitute for the present paragraph of the bill.

The CHAIRMAN. That is subsection (e) on page 8, strike out lines 1 to 9?

Mr. MURPHY. Yes; and insert the following:

(e) In order to provide for the effective cooperation of industry, agriculture, and labor with respect to the war mobilization and post-war adjustment problems of particular industries and areas, the Director, with the advice and consent of the Board, shall—

(1) Establish industry advisory councils for the various industries, and area advisory councils for various geographic areas, which are substantially and directly affected by the policies, programs, and operations of Government agencies performing functions subject to the jurisdiction of the Office: "*Provided*, That full information on all such councils"—

Senator AUSTIN. What does "councils" mean there?

Mr. MURPHY. Advisory councils, both area and industry advisory councils.

"shall be submitted to the Attorney General and no such councils shall continue operations if the Attorney General finds"—

At that point I would like to put an insert that is not in here.

"finds and certifies to the Director that they tend to promote the restraint of trade or the extension of monopoly."

(2) Appoint and fix the number of the members of such councils. The members of such councils shall be representative in the industry concerned or area concerned, as the case may be, of industry, labor, and wherever appropriate, agriculture.

(3) Define the industries or areas with respect to which such councils, respectively, shall have jurisdiction.

(4) Prescribe rules and regulations governing the organization, procedures, and operations of such councils: "; and such rules and regulations shall contain appropriate provisions protecting confidential Government information and preventing the operations of such councils from unduly interfering with or delaying the operations of Government agencies."

(5) Prescribe rules and regulations governing the extent to which Government agencies performing functions subject to the jurisdiction of the Office shall consult and advise with such councils with respect to the formulation and execution of policies and programs affecting the industries or areas represented by such councils.

Senator REVERCOMB. By "shall continue operations" what do you mean?

Mr. MURPHY. If the Attorney General made the finding that is contemplated here, then all of these councils would have to stop completely.

Senator REVERCOMB. The councils operating are operating only in an advisory capacity.

Senator MURRAY. They have industry and labor working together, like they did in the N. R. A. If they undertake to do something which is in restraint of trade or develops a monopoly, then they have to cease.

Senator REVERCOMB. Are these councils going to set prices?

Senator MURRAY. This is to prevent them from doing it.

Senator REVERCOMB. It is advisory. I am afraid, if we put such language in there, it would seem that we mean they can do such a thing, which we do not mean at all, do we?

Senator MURRAY. Of course not. Nevertheless, the establishment of these industry councils could very well develop into such a program as that.

Senator REVERCOMB. I think you are exactly right. I think that is the danger of the existence of the councils. That is the reason I want them taken entirely out of this bill.

Senator MURRAY. You can make a motion.

Senator REVERCOMB. I am merely discussing it now. When you say the Attorney General shall order them to cease operations, the only operations they have are operations in an advisory capacity. Can you stop them from advising?

Senator KILGORE. They are in a key situation in which they go directly to the agency.

Senator REVERCOMB. They are not merely advisory, they are people who are formulating policies?

Senator KILGORE. No.

The CHAIRMAN. What do you say, gentlemen?

Senator MURRAY. I would like to amend my motion in the proviso which I have there to make it read as follows:

Provided, That full information on all such councils shall be submitted to the Attorney General and no such councils shall continue operations or activities which the Attorney General finds and certifies to the Director shall tend to promote the restraint of trade or the extension of monopoly.

Senator AUSTIN. Now is your motion complete?

Senator MURRAY. Yes.

Senator AUSTIN. Then, Mr. Chairman, I move as a substitute to this motion that the committee strike paragraph (e) of section 103, and at the appropriate time I shall move to strike paragraph (f), but I think the scope of this motion admits of only the motion to strike paragraph (e).

The CHAIRMAN. Is there a second to Senator Austin's motion?

Senator REVERCOMB. I second the motion.

Senator GURNEY. I second the motion.

The CHAIRMAN. All in favor say "Aye"; those opposed "No."

Senator GURNEY. Three to three.

The CHAIRMAN. Senator, your motion did not nclude the substitution of this substitute?

Senator AUSTIN. Yes, it was a motion in substitution.

The CHAIRMAN. In other words, you want to substitute this for section (e)?

Senator AUSTIN. No; Senator Murray moved to substitute for (e) this new text. I move as a substitute for his motion the motion that the committee strike out subsection (e).

Senator HILL. The truth of the business is, from a parliamentary standpoint, the motion of Senator Murray to amend the existing subsection (e) comes first and then the motion to strike comes afterwards.

Senator AUSTIN. I am afraid not.

Senator HILL. I do not think it is going to make any difference.

Senator AUSTIN. I suppose we would lose our parliamentary position if we waited until you acted on your motion.

Senator HILL. I do not think so, because your body might vote to strike if it stays as it is and they might not vote to strike if it were perfected in any way.

Senator AUSTIN. Let us not make a parliamentary tackle. I don't care in which way it is done. I want the record to show my motion.

Senator MURRAY. I think you should permit us first to amend and perfect and then, after we have done that, you can move to strike.

Senator HILL. I think that would be the better procedure.

Senator AUSTIN. I am willing to follow that procedure, just to have the record show I made the motion to strike.

Senator MURRAY. Let us first amend it. We might propose to amend, and then have your motion follow.

Senator AUSTIN. Very good.

The CHAIRMAN. Do you want a record vote on this?

Senator AUSTIN. No.

The CHAIRMAN. Now, make your motion, Senator Murray.

You move to strike paragraph (e) and substitute therefor the language which you have indicated?

Senator MURRAY. On page 8, strike lines 1 to 9, inclusive, and in lieu thereof insert the following:

(e) In order to provide for the effective cooperation of industry, agriculture and labor with respect to the war mobilization and post-war adjustment problems of particular industries and areas, the Director, with the advice and consent of the Board, shall—

(1) establish industry advisory councils for the various industries, and area advisory councils for various geographic areas, which are substantially and directly affected by the policies, programs, and operations of Government agencies performing functions subject to the jurisdiction of the Office: "*Provided*, That full information on all such councils shall be submitted to the Attorney General and no such councils shall continue any operations or activities if the Attorney General finds and certifies to the Director that they tend to promote the restraint of trade or the extension of monopoly."

(2) appoint and fix the number of the members of such councils. The members of such councils shall be representative in the industry concerned or area concerned, as the case may be, of industry, labor, and, wherever appropriate, agriculture.

(3) define the industries or areas with respect to which such councils, respectively, shall have jurisdiction.

(4) prescribe rules and regulations governing the organization, procedures, and operations of such councils: "; and such rules and regulations shall contain appropriate provisions protecting confidential Government information and preventing the operations of such councils from unduly interfering with or delaying the operations of Government agencies."

(5) prescribe rules and regulations governing the extent to which Government agencies performing functions subject to the jurisdiction of the Office shall consult and advise with such councils with respect to the formulation and execution of policies and programs affecting the industries or areas represented by such councils.

The CHAIRMAN. Is there a second to that motion?

Senator KILGORE. I second it.

The CHAIRMAN. All in favor of it let it be known by saying "Aye." Those opposed, "No."

Well, now, all in favor of that will let it be known by raising their right hand. Four. All opposed, raise their right hand. Three. The motion is carried.

Senator AUSTIN. Now, I move to strike.

The CHAIRMAN. All in favor of striking it out, raise their right hand. Three. All in favor of leaving it in, raise their right hand. Four. The same vote.

Senator AUSTIN. That proves that the other procedure was right.

The CHAIRMAN. That finishes title I.

Senator REVERCOMB. Before you leave title I, I want to offer a motion. On page 2 of the unnumbered proposed bill, I move to strike subsection (b) of section 102 from line 11 to line 19, inclusive, which section establishes the Office of Deputy Director to be appointed by the President with the advice and consent of the Senate for the term of 2 years at $12,000 a year. I think that that is just another office. It is unnecessary, and I think the Director ought to be permitted to select his Deputy Director. I move that that section be removed from the bill.

Senator AUSTIN. I think we ought to have a record vote on that.

The CHAIRMAN. Don't you want some discussion on that?

Senator MURRAY. We discussed it during the course of the proceedings up to the present time, and I do not think any further discussion is necessary.

Senator AUSTIN. I suppose the vote will be just the same as it was before.

Senator HILL. Frankly, I think so. I will say this, in reply to what the Senator said. We name Cabinet officers and provide for assistants to those Cabinet officers, the Assistant Secretary of War, Assistant Secretary of the Navy, Commerce, and all those sort of things. These men ought to be appointed by the President. We are not doing anything here that there isn't a kind of precedent for. We have done it time and time again. Every department of the Government is presided over by a head. We call him a secretary rather than a director, and then we provide for the appointment of certain assistants, and those assistants are named by the President.

Senator MURRAY. The truth is these officials will be more important for the time being than the Cabinet members.

Senator REVERCOMB. Do any of these assistants, assistant secretaries, who are assistants to Cabinet members, receive a salary of $12,000 a year?

Senator HILL. I do not know about that, but of course the way to reach that would be by a motion to reduce the $12,000 and fix that at another amount, not by a motion to strike the whole thing.

Senator AUSTIN. I would like to ask another question.

Does Senator Hill know of any case of an assistant to a Cabinet officer where the Cabinet officer is put down to this condition that we find in subsection (c), that is, that the Cabinet officer shall, subject to the direction of the President and with the assistance of his assistant secretary, perform his office?

Senator HILL. I do not know about that, "with the assistance of the secretary," but I do know this, that so far as the War Department is concerned, the Under Secretary, who used to be the First Assistant Secretary, has very specific duties prescribed for him. He is charged by the law specifically with the duty of industrial mobilization and procurement, and things of that kind, when the statute reposes specific authority in his hands and imposes certain duties on him.

Senator AUSTIN. Suppose you have got a Director here and a Deputy Director and the Director is going in one direction and the Deputy Director in the other direction, what are you going to do with him?

Senator KILGORE. You have the Assistant Secretary for Air in the War Department, the Navy Department and Commerce Department who have specific duties.

Senator REVERCOMB. I do not believe the position of Director under this proposed act, however important it is, rises to the position of a Cabinet officer.

Senator HILL. He would have more power than the Cabinet officer ever had. In a way, he is going to boss the whole Cabinet, insofar as war mobilization or demobilization is concerned.

Senator REVERCOMB. Mr. Chairman, I ask for a record vote on my motion. The discussion has finished.

The CHAIRMAN. Are there any other observations, gentlemen?

Senator AUSTIN. Apparently not.

The CHAIRMAN. All right, we will have a record vote.

The CLERK. Senator Reynolds.

The CHAIRMAN. No.

The CLERK. Senator Thomas of Utah.

Senator KILGORE. By proxy—No.
The CLERK. Senator Johnson.
The CHAIRMAN. By proxy—No.
The CLERK. Senator Hill.
Senator HILL. No.
The CLERK. Senator Downey.
Senator KILGORE. By proxy—No.
The CLERK. Senator Chandler.
Senator KILGORE. By proxy—No.
The CLERK. Senator Truman.
Senator KILGORE. By proxy—No.
The CLERK. Senator Wallgren.
Senator KILGORE. By proxy—No.
The CLERK. Senator Kilgore.
Senator KILGORE. No.
The CLERK. Senator Murray.
Senator MURRAY. No.
The CLERK. Senator O'Mahoney. [No response.]
The CLERK. Senator Austin.
Senator AUSTIN. Aye.
The CLERK. Senator Bridges.
Senator AUSTIN. By proxy—Aye.
The CLERK. Senator Gurney.
Senator GURNEY. Aye.
The CLERK. Senator Holman.
Senator AUSTIN. By proxy—Aye.
The CLERK. Senator Revercomb.
Senator REVERCOMB. Aye.
The CLERK. Senator Wilson.
Senator AUSTIN. By proxy—Aye.
The CLERK. Senator Thomas of Idaho.
Senator AUSTIN. By proxy—Aye.
The CLERK. Ten negative and seven affirmative.
The CHAIRMAN. All right. Now, that finishes title I.

Senator AUSTIN. There is one thing in title I, I want to change two words, if I can. I don't know as I can.

Senator GURNEY. While Senator Austin is looking for his amendment, I move to reduce the salary from $12,000 to $10,000.

The CHAIRMAN. All right. Do you want a record vote?

Senator GURNEY. I don't care for a record vote on it; no.

The CHAIRMAN. All in favor of that let it be known by saying "Aye"; those opposed, "No." I am going to vote to reduce it to $10,000. All in favor of reducing it to $10,000, let it be known by raising their right hand. Four. All those opposed, let it be known by raising their left hand. Two.

The motion carries.

Senator AUSTIN. Now, I move to strike the words "and shall" on page 7, line 24, the last two words in that line, and insert in lieu thereof one word "to," so that it would read:

The Director, the Chairman of the War Production Board, and such other Federal officials performing functions subject to direction by the Office, as shall be designated by the Board, shall meet with it at least once a month to consult and advise with it on all basic policies and programs which are subject to direction by the Office.

That harmonizes with the amendment you have accepted to the next paragraph.

Senator KILGORE. That is all right.

The CHAIRMAN. That is all right. I already have it marked in there.

Senator MURRAY. On the next page, we passed subsection (f) on page 8.

Senator AUSTIN. There was a motion to strike the words "and of the joint advisory councils" on line 15.

The CHAIRMAN. We agreed to that. That has already been stricken.

Senator AUSTIN. Now, I move to strike all of subparagraph (f).

Senator REVERCOMB. I second the motion.

The CHAIRMAN. What do you think about that, gentlemen, before we vote on it? What do you think about that, Senator Kilgore?

Senator KILGORE. I do not think it should be stricken out. I think the Board members, when they have to come in here, are certainly entitled to some per diem compensation for their work.

The CHAIRMAN. What do you think about it, Senator Hill?

Senator HILL. I think, myself, when you bring those members in here you have got to pay some per diem for their expenses. The big cost is already stricken out. The Joint Advisory Council is out of it. That just reduces it down to nothing but the 10 Board members. I think you have got to keep those Board members.

The CHAIRMAN. Who made the motion?

Senator AUSTIN. I did.

The CHAIRMAN. Is there a second to it?

Senator REVERCOMB. I second it.

Senator KILGORE. What is the motion?

The CHAIRMAN. The motion is to strike subparagraph (f).

Senator KILGORE. In the first place, let me say something before you vote. If you strike the first sentence of subparagraph (f) you are going to have to get your members through the Civil Service Board. That is one thing. For instance, if you pick up a patent lawyer, he could not practice before the Patent Office when he was not working, his job being a Board member. If you pick up various others, they will not be allowed to do other work of any kind.

The CHAIRMAN. There is a motion before the house. All those in favor of the motion of Senator Austin let it be known saying, "Aye." Those opposed, "No."

Let us count them. All in favor, hold up their right hand. All opposed, hold up their right hand. The motion is not agreed to.

Is there anything else in title I?

Mr. MURPHY. Mr. Chairman, I think a little change should be made in line 11, on page 8 of the subsection we were just discussing. Strike out the last three words in line 11, "to the joint," and insert "advisory" in lieu thereof.

The CHAIRMAN. That does not make it read right.

All appointments of members or alternates to the Board, and of members of the area and industry.

Senator AUSTIN. "And industry advisory councils."

The CHAIRMAN. All right.

Is there anything else?

If not, we will recess.

Senator MURRAY. I move we take up title II immediately at 2 o'clock.

Senator KILGORE. I second the motion.

Senator MURRAY. So, if they are not here, we will go ahead and act on it regardless.

The CHAIRMAN. All right.

(Whereupon, at 12:40 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

(Pursuant to adjournment for the noon recess, the committee reconvened at 2 p. m.)

The CHAIRMAN. The meeting will come to order, please, gentlemen.

General Clay, will you be good enough to state the position of the War Department and make such observations as you care to make in regard to subsection (2) on page 13?

General CLAY. Yes, sir. The only reason that we have requested the opportunity to express ourselves with respect to this section, sir, is because of the fact, as we visualize it, the first and perhaps major part of the termination will come with the defeat of Germany, but we will still have a war production and procurement program to follow in fighting the war with Japan. Now, under this particular policy we are apprehensive that we are foreclosed, perhaps a little too much, on our ability to select and maintain contracts for that purpose. Actually, if this were interpreted literally it would seem to me that the language would make it quite possible for someone outside the War and Navy Departments to even determine the quantities involved in curtailment, or the items which would be curtailed.

The CHAIRMAN. You say somebody outside of the War and Navy Departments could determine the extent of the curtailment?

General CLAY. I believe that would be the literal interpretation of this act, sir. It places in the Chairman of the War Production Board the establishment of policies and procedure, and detailed programs to be followed by the contracting agencies in selecting individual prime contracts or classes of prime contracts for curtailment, nonrenewal or termination. I am sure that is not the intent, but I am not at all sure that is not the interpretation.

Senator MURRAY. Have you some proposal to make?

General CLAY. Yes, sir; we would like to see it read as follows: Paragraph (2) to start off, "subject to the approval of the Director," because we believe he has been given an over-all authority in the first section of the act which should not be perhaps restricted by this language.

Senator AUSTIN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Certainly, Senator.

Senator AUSTIN. General Clay, if on page 12 line 11 paragraph (c) the words "Chairman of the War Production Board" were changed to "Director," would that not coordinate and harmonize the provisions of this section with the preceding provisions of the bill, that is, title I, and do away with this point that you make here? That is the change here, calling for the approval of the Director.

General CLAY. It would; yes, sir. As a matter of fact, at the present time a committee operating under the Chairman of the War Production Board is doing a very similar job to the one intended here under a delegation of authority from the Director of War Mobilization.

Senator AUSTIN. And he would do the same thing if this read "Director" instead of the "Chairman of the War Production Board," would he not?

General CLAY. I am sure it would have the same effect; yes, sir.

Senator MURRAY. That would, in effect, remove the War Production Board from participating in this program?

General CLAY. No, sir; I think the Director would be in a position of delegating his authority. He is directed to do it through the appropriate and responsible Government agencies.

Senator MURRAY. And he would use the War Production Board?

General CLAY. I am sure he would, yes, sir, as he is now.

Senator MURRAY. Would not that put the War Production Board in some inferior position and lessen its prestige and ability to perform?

General CLAY. I think it is now operating under the Director of War Mobilization.

Senator MURRAY. Yes; but would not it have more standing and recognition? You know there has been some kind of struggle going on down there. The War Production Board has, I think, done a very splendid job up to the present time. It seems to me it has the personnel, it has the organization; they are equipped to do this job, and it seems to me we should utilize it in this program.

General CLAY. I am sure that the Director would, sir.

Senator MURRAY. He could eliminate it if he wanted to.

General CLAY. Yes, sir; he could eliminate it.

Senator MURRAY. I do not think it would be the policy of the Congress to see the War Production Board, which has been set up now for a number of years and which has accomplished a great job, be, in a measure, repudiated and removed from the scene at this time.

Senator REVERCOMB. Senator Murray, it would not be removal, if I may say so, of the War Production Board, but the War Production Board will be under the Director.

Senator GURNEY. The same as it is now.

Senator MURRAY. Yes; it will be, but it has some standing now. This is where it should be done; it should be done through the War Production Board, and it seems to me the bill should directly refer to the War Production Board and give it that recognition.

Senator REVERCOMB. We have said that the Director shall be responsible for the work done under this bill. Are not you delegating power to the War Production Board that ought to be done through the Director?

Senator MURRAY. No; the Director has no organization at all.

Senator REVERCOMB. He uses the War Production Board.

Senator MURRAY. Yes; the War Production Board would do the job there. The Director is merely the policy-making set-up; the War Production Board is the working organization.

The CHAIRMAN. Senator Hill, we are considering the suggestion made by Senator Austin, that on page 12, line 11, paragraph (c), we change the name "Chairman" to "Director."

Senator AUSTIN. No, no; take out "Chairman of the War Production Board" and substitute "Director."

The CHAIRMAN. Yes.

Senator AUSTIN. There are reasons in addition to those that General Clay has mentioned. You want a bill that will work. You have got in title I the same authority vested in the Director by the following provision, on page 3, paragraph (2), line 3. That begins over on the other page where it says the Director shall—

issue such directives on policy, plans, and operations to other Government agencies as may be necessary to carry out, and to coordinate their activities in connection with, such plans, and review the programs and activities of other Government agencies with respect to war mobilization and post-war adjustment. Each Government agency shall carry out the directives of the Director expeditiously and, to the extent necessary therefor, shall modify its operations and procedures and prescribe further regulations with respect thereto.

Now, over here, on pages 12 and 13, you would have Chairman of the War Production Board vested with authority to do the same thing, namely—

establish policies and procedures, and when deemed necessary by him establish detailed programs, to be followed by the contracting agencies in selecting individual prime contracts or classes of prime contracts for curtailment, nonrenewal or termination; and, whenever he deems such action necessary, require that the selection of prime contracts or classes of prime contracts for curtailment, nonrenewal, or termination be submitted to him for his approval.

Therefore, you can have a coalition between the Chairman of the War Production Board and the Director on all those features that are locked together in both paragraphs.

Then, again, on page 5, paragraph (7), you have this other authority given to the Director—

survey continuously all rules, regulations, and orders issued by any Government abency exercising control over manpower, production, or materials,

Then, I am going to skip down—

Whenever the Director determines that any such rule, regulation, or order so prevents or hinders full employment and is not required for the purpose of insuring production for war purposes, he shall direct such Government agency to rescind, modify, or amend such rule, regulation, or order.

Now, both of those are on the same subject as this paragraph (2). You are setting up here opposing authorities.

Senator MURRAY. Now, we had that same problem up in connection with the contract terminational legislation, and we are following the same procedure here that we followed there. The Director here is just a policy making agency that is being set up. You notice, as you read the language there on page 3, it says the Director shall "issue such directives on policy, plans, and operations to other Government agencies as may be necessary," and so forth. Now, these other Government agencies are the ones that are doing the job. The Director merely issues directives to them in regard to policies and plans, but the work has got to be done by the War Production Board. The Director cannot set up an establishment to do it.

I would suggest on page 12, to make that clear, following the words, "The Chairman of the War Production Board shall," line 11, page 12, make that read, "shall, subject to the direction of the Director, establish a production adjustment committee which shall consist," and so forth.

We had the same problem in the contract termination legislation, and that is the way we handled it.

Senator AUSTIN. The addition is, "subject to the direction of the Director"?

Senator MURRAY. Yes, sir. And, again, on the next paragraph, on page 13, paragraph (2), "subject to the direction of the Director".

The CHAIRMAN. You mean begin the paragraph with that?

Senator MURRAY. We would not need to duplicate it again, I guess. The first one would be sufficient. Somebody proposed to put it in there. I think if you put it at the commencement of the provisions here it would be all right.

Senator AUSTIN. That only applies to the establishment of a production adjustment committee and does not apply to the establishment of policies.

Senator MURRAY. Yes; I think that would relate to the entire program there.

Senator HILL. You have subparagraph (c), and then under the subparagraph (c) you have (1), (2), (3) and (4). It would apply to all of them, would it not?

Senator MURRAY. That is right; it would apply to all of them.

Senator AUSTIN. The difficulty is if you put a period at the top of page 13 after the word "designate" and start a new sentence there, don't you see that divorces it?

Senator MURRAY. Just say, "and shall."

Senator AUSTIN. That will take care of it. Put in "and shall"; that will take care of that.

Senator MURRAY. Then I think that remedies it.

Senator AUSTIN. That, I think, covers it. Does it, General Clay?

General CLAY. It does cover it in great part. We still would like to ask for the consideration of a little different language in paragraph (2).

Senator MURRAY. What would you suggest?

General CLAY (reading):

Establish policies and procedures, and when deemed necessary by him establish detailed programs, to be followed by the contracting agencies—

we would like that to read—

when deemed necessary by him to require the establishment of detailed programs by the contracting agencies for the selection of the individual prime contracts or classes of prime contracts.

Senator HILL. What line are you reading from?

General CLAY. Line 6.

The CHAIRMAN. Let us go a little slower.

General CLAY. "When deemed necessary by him" strike out "establish" and substitute therefor "to require the establishment of detailed programs," and then strike "to be followed," leaving "by the contracting agencies" and strike "in selecting" and substitute "for the selection of." In other words, instead of the Chairman of the War Production Board preparing the detailed program of the War Department, he would require the War Department to prepare that program.

Senator MURRAY. Now, read the section as it would be amended.

General CLAY (reading):

establish policies and procedures, and when deemed necessary by him require the establishment of detailed programs by the contracting agencies for the selection of individual prime contracts or classes of prime contracts for curtailment, nonrenewal, or termination.

Mr. GROSS. Would that rule out the establishment of programs by the War Production Board?

General CLAY. It would rule out those items that were procured by the specific procurement agencies.

Mr. GROSS. I mean it refers to items procured by the specific procurement agencies.

General CLAY. The War Production Board would still have many programs to establish in the field of components, but with respect to the establishment of a program for the construction of guns, tanks, and ammunition, it would require the War Department to establish the program and place it before the War Production Board, instead of the War Production Board prescribing the program, which is, of course, the procedure we now follow. I do not see where the War Production Board could very well establish such a program.

Mr. SCHIMMEL. That would only become operative when deemed necessary by him. In other words, the War Production Board would only enter into the picture if it felt detailed programs of procurement agencies were conflicting with one another.

General CLAY. I do not believe—maybe I am wrong in that—you want anybody to prepare the detailed production program for the support of the Army in its war against Japan other than the Army itself. We have always prepared it.

Senator MURRAY. This would take away from the War Production Board the power to determine where these curtailments would take place and would leave that entirely in the hands of the contracting agencies; is that right?

General CLAY. No, sir; they would still be under the power of the Director, under the broad powers given to him.

Senator MURRAY. But it would take it out of the hands of the War Production Board, and they have already been setting up procedures and making studies with the view of determining those questions as to how these curtailments were to occur and where they would be made.

General CLAY. That is correct, except that it is a cooperative effort, and in case of a disagreement on the part of ourselves and the War Production Board as to whether a contract for a 20-millimeter gun should be made in one place or another, it now goes for decision to the Director.

Senator MURRAY. Would not it be better to have the War Production Board act on it and then in case of a conflict between the War Production Board and the procurement agency have the Director determine the question?

General CLAY. I do not think so, sir. In the final analysis we, of course, go to the War Production Board for all of the data and information and help that they could give us. I know of no instance offhand where they have recommended that we place a contract in a particular place that we haven't done so, but I do submit in the final analysis that the military necessity for the placing of that contract in a specific place, if there is such a necessity, should govern.

Mr. SCHIMMEL. General Clay, isn't it true under the Executive order establishing the War Production Board they do have that authority, and at one time they exercised it, and as the war program got balanced they no longer exercised it, and that authority might not be reasserted again during the changing conditions of the reconversion?

General CLAY. Under the original act the power that was delegated to Mr. Nelson for the award of contracts, he can immediately redelegate it to the procurement agencies He has never exercised that authority.

Senator AUSTIN. Before we get away from this, let us tie it right in with the existing law on termination of contracts. This provision here in (2) and the one in (4) are in conflict with these provisions of the existing law on termination of contracts, namely, section 4 (a). On page 3 of Public Law No. 395, Seventy-eighth Congress—and this also applies to section 11 (a) on page 11 of the same law—it reads as follows:

(b) In order to insure uniform and efficient administration of the provisions of this act, the Director, subject to such provisions, by general orders or general regulations—

(1) shall prescribe policies, principles, methods, procedures, and standards to govern the exercise of the authority and discretion and the performance of the duties and functions of all Government agencies under this act; and

(2) may require or restrict the exercise of any such authority and discretion, or the performance of any such duty or function, to such extent as he deems necessary to carry out the provisions of this act.

(c) The exercise of any authority or discretion and the performance of any duty or function, conferred or imposed on any Government agency by this act, shall be subject to such orders and regulations prescribed by the Director pursuant to subsection (b) of this section.

Then, it provides that they must be carried out by the Government agencies, and so on.

Then, over on page 11, section 11 (a) (1), it reads—section 11 (a) reads:

In order to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes, such contracting agency—

(1) shall provide its prime contractors with notice of termination of their prime contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security without permitting unneeded production or performance;

(2) shall establish procedures whereby prime contractors shall provide affected subcontractors with immediate notice of termination; and

(3) shall permit the continuation of some or all of the work under a terminated prime contract whenever the agency deems that such continuation will benefit the Government or is necessary to avoid substantial injury to the plant or property.

Now, unless this proposal in the Murray bill is reconciled with that law we are going to find that we have a conflict between the existing law and the present bill.

Senator MURRAY. What is the point? When you read that I was distracted for a moment.

Senator AUSTIN. The point is you take the same function out of the hands, so far as you can, of the Director.

Senator MURRAY. Of the Director of Contract Settlements, you mean?

Senator AUSTIN. Director of Contract Termination.

Senator MURRAY. Of course, at the time that the contract settlement was provided we do not have anything such as we are trying to put up here.

Senator AUSTIN. Is it your idea to repeal the contract termination law on that point?

Senator MURRAY. It seems to me that this would take precedence over the contract termination law, because here is really where it belongs. The Director of Contract Settlements would not be in the position to establish these policies and procedures for providing war contractors and employees with notice of curtailment; it would have to be done under the War Production Board, and it seems to me this is where it belongs, in here.

Senator AUSTIN. Well, in that event, would not you have to have a provision for repeal?

Senator MURRAY. We could incorporate in there a statement "notwithstanding the provisions of Public Law No. 395," that this should take place. Would not it remedy it if there be inserted in line 20, page 13, "notwithstanding the provisions of Public Law No. 395"?

Senator AUSTIN. That would not nullify the authority contained in the existing law, if you had that phrase.

Mr. GROSS. What would be the best language to give precedence to the War Production Board under this act?

Senator AUSTIN. The only way I can see of doing it is to repeal those provisions. I am not suggesting that, you know; I don't favor it.

Senator MURRAY. Using the language "notwithstanding the act," it indirectly nullifies it.

Senator AUSTIN. I don't believe so. I think it leaves both of them in authority.

Mr. SCHIMMEL. The simple way to handle that would be to say "duties prescribed in section 11 under this law should conform to the provisions of this title," and then the individual procurement agencies which are required to do certain things under section 11 would do those things in accordance with general policies laid down by the War Production Board.

Senator MURRAY. We could carry this language just as we have it here on page 13 and then at the end of the act repeal section 11 (a) of the contract-termination law.

Senator AUSTIN. I think that is the only effective way of avoiding a collision.

Senator MURRAY. I guess that is true.

Senator AUSTIN. I don't know what a further examination of the existing law might reveal in respect to our tampering with that act. There are some details in subsection (b) of section 11 that are not in your bill; are there not?

May I read it, so you can follow it?

Senator MURRAY. Yes.

Senator AUSTIN (reading):

> Whenever a contracting agency hereafter directs a prime contractor to cease or suspend all or a substantial part of the work under a prime contract, without terminating the contract, then, unless the contract provides otherwise, (1) the contracting agency shall compensate the contractor for reasonable costs and expenses resulting from such cessation or suspension, and (2) if the cessation or suspension extends for 30 days or more, the contractor may elect to treat it as a termination by delivering written notice of his election so to do to the contracting agency, at any time before the contracting agency directs the prime contractor to resume work under the contract.

> (c) The Director shall have no authority under this act to regulate or control the classes of contracts to be terminated by the contracting agencies.

If you repeal the whole of section 11——

Senator MURRAY. We just repeal section 11 (a).

Senator AUSTIN. I guess you are getting near it.

Senator MURRAY. Yes. We amend by inserting on the second line of page 14 following the word "performance" the following words: "and subsection (a) of section 11 of Public Law 395 is hereby repealed."

Senator HILL. You want to put in "Public Law No. 395, Seventy-eighth Congress."

Senator MURRAY. The appropriate language. I think that should go at the end of section 202 (c) (5), at the end of the tenth line on page 14. It would be a new section.

Senator REVERCOMB. Senator Murray, would not your purpose be filled if you cut out all of it and simply said, "the Director shall come within this Act and be under the direction of the Director of Contract Termination"?

Senator MURRAY. It seems to me the Chairman of the War Production Board is the proper man to establish a program.

General CLAY. He does at the present time. We have the responsibility, that we have exercised to date, of determining the type and quality.

Senator MURRAY. But he is developing a whole staff over there for that purpose.

General CLAY. Not for types and quantities. The development of the program is in our hands and we place it before him he has full authority, it seems to me.

Senator KILGORE. You have the establishment there of several programs by individual agencies, don't you?

General CLAY. Yes, sir.

Senator KILGORE. Now, in some cases, in some things you might want the establishment of a unified program by the Director.

General CLAY. I think the Director has that full power in the general language.

Senator KILGORE. He only has the power in that amendment to require. My suggestion was it would be necessary for him to establish or require to establish. That would give him discretion. If you work on a strictly Army program he could require the Army to establish a program, but when you have several agencies he could establish a uniform program for all of the agencies.

General CLAY. I think the Director has that power now. The way this act now reads, if he gives it a literal interpretation he could decide whether we build 240 millimeter or 2-inch guns. It says,

> establish detailed programs, to be followed by the contracting agencies in selecting individual prime contracts or classes of prime contracts for curtailment, nonrenewal, or termination.

Senator KILGORE. He could tell you where to do it.

General CLAY. That is not the way it reads, sir. It says he can establish the program.

Mr. MARBERRY. He would tell you not to renew the prime contract.

General CLAY. That is the way we interpret it.

Senator KILGORE. No; No; he can require you to establish a program.

General CLAY. It says he can establish the detailed program for the curtailment or nonrenewal of individual contracts.

Senator KILGORE. All he can do is select the contract for the contracting agency.

General CLAY. That is not the way we read it, sir.

Senator KILGORE. I think I can straighten that out by making this suggestion: After the word "contracts" insert "found necessary for curtailment, renewal, or termination by the services or agencies involved." I think that should go in after the word "termination" on line 10. I think that would remove the fear that you have. It leaves it up to you to find out what you want the contracts for, but it leaves it up to him to establish the program as to where it shall be placed.

The CHAIRMAN. What do you say about that, General?

General CLAY. That helps. That would help us a great deal.

Senator KILGORE. It settles your question.

General CLAY. Not entirely, sir.

Senator KILGORE. Now, wherein does it not settle it?

General CLAY. That takes care of that part of it without question, but the other part of it is we would like to be in a position, if we can justify it on military grounds, of maintaining any particular contract at a particular plant, to have the right of appeal to the Director.

Mr. SCHIMMEL. You do have the right to appeal.

Senator JOHNSON. What is the objection to the language suggested by General Clay? What is wrong with that?

Senator KILGORE. I do not know as I understood the exact language that he suggested there.

Senator MURRAY. General Clay now says if this amendment is made as suggested by Senator Kilgore on line 9, following the word "contracts," insert the words "found necessary" and then continue, "for curtailment, nonrenewal, or termination by the services or agencies involved," that that would correct the matter.

The CHAIRMAN. Well, now, let us get back to this thing right now and settle it once and for all. Have you any objections to leaving in subsection (2) the suggestions made by the general, to require the establishment of detailed programs? Have you any objections to that?

Senator KILGORE. Honestly, I still maintain we are not covering the whole thing. We are just looking at it from the Army's viewpoint alone. Where you have several parallel programs, it would be much better if you had a uniform program. Let us take the 40-millimeter gun, the Navy uses that gun and the Army uses that gun, and I think it would be much better to get the two of them together and have the Director establish a program in accordance with the requests.

General CLAY. It is not provided here in the Director. As a matter of fact, we do that now, sir. The real point, I think, that we are raising is, we would like the court of final decision on this to be the Director. As we see it, we are going to be in a difficult position in fighting the war if it is left this way.

Senator MURRAY. Isn't that settled by the first amendment we made on page 12? We said the "Chairman of the War Production Board" should be stricken out and the word "Director" put in there.

General CLAY. That might cover it, but we would still very much prefer to be in the position to prepare our program and submit it to the Chairman of the War Production Board, as we do now. It is subject to his approval now, but in the event of failure to approve the Director is the controlling element.

Senator KILGORE. Could not you have the general qualification on that, that he is subject to the Director?

Senator GURNEY. I do not think Senator Kilgore understood the language proposed by the general. May I go through it there?

Senator KILGORE. Yes.

Senator GURNEY. On line 6 of page 13 cross out the word "establish" and insert "to require the establishment of". On line 7 cross out "to be followed". On line 8 cross out "in selecting" and insert "for the selection of".

The CHAIRMAN. And on line 9——

Senator GURNEY. That has not been proposed by the General yet.

Senator JOHNSON. He agreed to it.

General CLAY. I do not think it will be necessary with the other in, because it visualizes the same thing.

Senator KILGORE. I think the amendments that were suggested there would do exactly the same thing and do it much better. You would still have a uniform program.

The CHAIRMAN. Do you have any objection to those words being inserted?

Senator KILGORE. Yes; I don't like that wording there.

The CHAIRMAN. Then, you are objecting to "for the selection of"?

Senator KILGORE. Yes.

The CHAIRMAN. You are objecting to striking out "in selecting"?

Senator KILGORE. And also to striking out "establish".

Senator JOHNSON. And also striking out "to be followed".

Senator KILGORE. Yes; and to striking out "to be followed."

Senator GURNEY. That puts the load of figuring out the detailed program on the Chairman of the War Production Board, the original language itself.

Senator KILGORE. What is that?

Senator GURNEY. The original language puts the load of figuring out the detailed program on the Chairman of the War Production Board.

Senator KILGORE. That is correct; that is where it should be.

Senator GURNEY. That he should decide how many 40-millimeter guns there should be.

Senator KILGORE. No. The burden for that is on the agencies. They tell him what they want.

Senator GURNEY. The detailed program would include how many nuts and bolts would be required.

Senator KILGORE. Certainly that is up to the agencies. All he does is establish the program for the contract, with whom the agency should contract.

General CLAY. I submit, sir, if he has got the power of approval, the power of policy-making, in point of fact, that is all he can do. Actually, the selection of the individual contracts and passing on the individual contracts is going to be an impossible task. There are 100,000 contracts in the Army alone and 900,000 subcontracts. When you get to the question of the selection of individual contracts, if you don't put some limitation in as to the number or quantity of those that go before the Washington headquarters, if you are visualizing

bringing in all individual contracts for this purpose, I think you have an absolute administrative impossibility, sir. We are talking about 100,000 prime contracts in the War Department alone, and 900,000 subcontracts. Certainly, the Chairman of the War Production Board has got to give us guidance as to the areas in which he wants us to get out from textile contracts, truck and bus contracts, but if he attempts to pass on the 100,000 individual contracts we would be in an almost impossible position. What I am trying to do is to get this in terms where it will be policies and not operations, because I think if we get into the operating field, where we have definite procedures established, get those involved in a new process, we will have an interminable job.

Senator MURRAY. Maybe if General Clay would dictate the language so we could have it before us, we would be in a better position to consider it.

Senator KILGORE. Let me suggest one other amendment then. Forget all the rest of them. So it will read:

establish policies and procedures, and when deemed necessary by him establish detailed programs, to be followed by the contracting agencies in selecting individual prime contracts or classes of prime contracts—

strike out "for" and substitute "where"—

where curtailment, nonrenewal, or termination has been decided upon by the contracting agency;

and leave the rest exactly as it is.

General CLAY. May I ask, don't you cover that in cases where it is necessary by the last sentence, wherever the Director or the Chairman deems action necessary he requires the selection of individual prime contracts or classes of prime contracts to be submitted to him for his approval? In that case, when he feels it is necessary he asks for it and we give it to him, but we do not have to prepare the detailed program on these hundreds of thousands of contracts.

Senator KILGORE. All right, now—wait a minute. In line 6 the same words are used, "when deemed necessary by him establish detailed programs"; you have the same phraseology there. It is not in conflict with the last clause.

General CLAY. We do have one other thing that keeps us in the military interest, that is, we still do have or probably will have another war to fight when the first part of this one ends.

Senator JOHNSON. If it were a total stoppage it would be a far different matter than a partial stoppage.

General CLAY. Yes, sir.

Senator REVERCOMB. General, let me ask you this: This whole subject of the duties and powers of war termination is covered completely in the Termination Act, Public Law No. 395.

General CLAY. Not covered completely in the act, sir. They have been covered in the act or by delegations of executive power belonging to the Director of War Mobilization.

Senator REVERCOMB. Haven't directives been issued and orders and plans been made under Public Law 395 on the termination of war contracts?

General CLAY. Yes, sir.

Senator REVERCOMB. Would not the whole debate here be ended if it was simply stated with respect to termination of war contracts

that the Director of Termination shall be under the Director of Mobilization?

Would not that settle the whole business, so far as the termination of war contracts is concerned?

I should think that is the thing to be done.

Senator AUSTIN. Your machinery conforms to the law which provides:

In order to insure uniform and efficient administration of the provisions of this Act, the Director, subject to such provisions, by general orders or general regulations—

(1) shall prescribe policies, principles, methods, procedures, and standards to govern the exercise of the authority and discretion and the performance of the duties and functions of all Government agencies under this Act; and

(2) may require or restrict the exercise of any such authority and discretion, or the performance of any such duty or function, to such extent as he deems necessary to carry out the provisions of this Act.

That is the existing law.

General CLAY. That is correct, sir, and that power has been delegated to the Production Executive Committee by the Director of Contract Settlements.

Senator MURRAY. Of course, what you are reading there in this Public Law 395 only has reference to financial settlements and not to the problems which we are considering here.

Mr. MARBERRY. I think it may be somewhat broader, but it has been delegated to the Production Executive Committee.

Senator MURRAY. What is that?

Mr. MARBERRY. The broader power has been expressly delegated to the Production Executive Committee.

Senator MURRAY. By whom?

Mr. MARBERRY. Mr. Byrnes. That was before the passage of the Act. I do not think anything has happened since then to change that.

Senator KILGORE. We are presuming that Mr. Byrnes' authority will continue indefinitely, as a matter of fact. Under the War Powers Act his authority will terminate not more than six months after the termination of hostilities.

Mr. MARBERRY. I agree with you.

Senator KILGORE. This bill continues certain authorities that the War Powers Act does not have the power to keep in existence.

Mr. MARBERRY. The proposals you made it seems to me meets the issue, except to this extent: Is it the function of the Director of War Mobilization to determine to what extent detailed programs and individual contracts should come before the Chairman of the War Production Board for examination, or should that be the responsibility of the War Production Board? Heretofore those decisions have been made, in the absence of legislation, not by Mr. Nelson but by Mr. Byrnes. Our feeling is, we thought in reading your bill, until we came to that point, that you intended to lodge in the Director of War Mobilization the full powers that had heretofore been exercised by Mr. Byrnes. What you are doing is taking them away and giving them to the Chairman of the War Production Board.

Senator KILGORE. If I understood Mr. Byrnes correctly, he stated, in numerous conferences, it was the job of a referee after the dispute arose and not so make the decision in advauce. He expressed that to me on numerous occasions.

Mr. MARBERRY. He has provided, for example, we must submit certain contracts to the Production Executive Committee before authorizing their curtailment. That was Mr. Byrnes' decision. We felt that was the proper way to handle it, if there was no disagreement.

Senator KILGORE. If you have that amendment in there, "subject to the direction and control of the Director, you have exactly the same situation.

Mr. MARBERRY. The initiative is placed with Mr. Nelson.

Senator KILGORE. "Subject to the direction and control," he tells Mr. Nelson when to do it and what to do; "direction means a lot more.

Senator MURRAY. In other words, it requires the Chairman of the War Production Board to do what the Director tells him to do.

Mr. MARBERRY. Why not say in line 10,

and, whenever the Director deems such action necessary he will require the selection of the prime contracts for determination be submitted to the Chairman of the War Production Board?

Senator KILGORE. Because the Chairman of the War Production Board has that power.

Mr. MARBERRY. He determines on general policy. He has done so.

Senator KILGORE. Then, if the Chairman of the War Production Board goes off on the wrong foot, he can curtail it.

General CLAY. Adding,

subject to the direction of the Director and deemed necessary by the services or agencies involved,

I think is helpful to us. On the other hand, I cannot consistently say that we are happy with the other.

Senator MURRAY. How would it be now then to dictate the language in which the section shall be worded, that is, put in the amendments where you think they should be?

Senator JOHNSON. Colonel Sanders suggests that on page 12, section (c), line 11, the language would read as follows:

(c) the Director shall, through the Chairman of the War Production Board.

That would change the whole status.

Senator MURRAY. That means the same thing. It would have the same effect.

Senator JOHNSON. It is subject to the direction of the Director, and this is the Director, the Director shall, through the Chairman of the War Production Board, do all of these things.

Senator MURRAY. If the Chairman of the War Production Board is subject to the direction of the Director then the Chairman of the War Production Board is doing what the Director tells him to do.

Colonel SANDERS. There is quite a difference there.

The initial direction comes from the Director in one case, and the initial direction comes from the Chairman of the War Production Board in the other case.

Senator JOHNSON. It seems to me it settles this whole controversy.

Senator MURRAY. General Clay is out there now wording the section as it should be worded. He will only be a moment.

Senator KILGORE. There is one thing I would like to mention, and that is this: The Chairman of the War Production Board, having at his hands the knowledge, through his staff, of production in all phases,

we make the Director the initiating authority rather than the Chairman of the War Production Board, subject to direction and control. The Director directs the Chairman of the War Production Board as to policies to pursue and he goes ahead and pursues them, whereas, on the other hand, the Director would have to direct him to do it in each case.

Senator AUSTIN. General Clay suggests that the amendment suggested by Senator Johnson would meet all his objections.

Senator JOHNSON. That is what I thought. It would be a simple approach to this whole problem here.

The CHAIRMAN. What do you say about accepting that, Senator Kilgore?

Senator JOHNSON. You cannot have two heads even on a snake, you have to have just one head.

The CHAIRMAN. Does that meet with your approval, Senator Kilgore?

Senator KILGORE. Just a moment.

Senator AUSTIN. Mr. Chairman.

The CHAIRMAN. Any comments, Senator Austin?

Senator AUSTIN. I favor this idea. I think this would cure it.

The CHAIRMAN. Senator Gurney.

Senator GURNEY. Well, I would go a little further, but I like that start. I do not believe the War Production Board should continue to have the responsibility of making detailed programs.

Senator JOHNSON. Well, they do all of these things under the direction of the Director.

Senator GURNEY. The War Production Board never did make detailed programs for the War, Navy, or anybody.

Senator KILGORE. Wait a minute. How about airplanes?

The War and Navy Departments said how many they needed and what kind.

Senator GURNEY. That is not the program. They still say exactly the same thing here.

The CHAIRMAN. Senator Revercomb.

Senator REVERCOMB. My idea is that the Director of Mobilization ought to be the head of it. I like the language suggested here by Senator Johnson.

The CHAIRMAN. Senator Hill.

Senator HILL. Let me see what General Clay brings in here. He is working on something.

The CHAIRMAN. He says this meets with all of his objections throughout the section that you have had under consideration.

General Clay, we understand that the suggestion made by Senator Johnson here meets all the objections that you have outlined in these various paragraphs. Is that correct?

General CLAY. What is that?

Senator JOHNSON. I will read it to you, General.

On page 12, line 11, paragraph (c), it would read as follows:

"The Director shall, through the Chairman of the War Production Board" (1) and (2) and (3).

General CLAY. That would meet all of our objections. I would like to suggest an amendment to section (3), which I think is just a minor thing.

Senator MURRAY. I would like the general to read what he prepared.

General CLAY. Simply change section (2) to read as follows:

establish policies and procedures to be followed by the contracting agencies in the curtailment, nonrenewal, and termination of contracts to include as he may deem necessary the submission of detailed programs for approval.

But the proposal by Senator Johnson would answer everything.

Senator MURRAY. I am agreeable to General Clay's language.

The CHAIRMAN. Read it again.

General CLAY (reading):

establish policies and procedures to be followed by the contracting agencies in the curtailment, nonrenewal, and termination of contracts to include as he may deem necessary the submission of detailed programs for approval.

Mr. MARBERRY. That would leave the changes in that have already been agreed to in (1).

Senator MURRAY. That is satisfactory.

General CLAY. In section (3), sir, where we have got to "establish policies and procedures providing for full consultation between the contracting agencies and prime contractors and subcontractors", to make practicable I would like to suggest the insertion before the word "subcontractors", "to the extent feasible".

Senator MURRAY. That is all right.

General CLAY. As it now reads it would be mandatory to consult with subcontractors, and you would never be able to do it.

Senator MURRAY. Line 17 after the word "subcontractors" insert the words "and to the extent feasible"?

General CLAY. "And to the extent feasible with subcontractors."

Senator AUSTIN. I am not clear whether General Clay's substitute language takes the place of the whole of paragraph (2) or whether it takes the place of only the first phrase.

Senator MURRAY. It takes the place of the whole paragraph.

Senator GURNEY. Could we have some copies of that, so we could pin it in the proper place here?

General CLAY. Yes.

Senator JOHNSON. I want to find out how this amendment in paragraph (3) reads. Will you read that?

General CLAY. In line 17 insert before the word "subcontractors", "to the extent feasible with".

Senator JOHNSON. How would the whole paragraph read?

General CLAY (reading):

establish policies and procedures providing for full consultation between the contracting agencies and prime contractors, and to the extent feasible with subcontractors, with respect to the selection of subcontracts for curtailment, nonrenewal, or termination.

Senator AUSTIN. You have to put two commas in there.

General CLAY. That is right.

Mr. MARBERRY. Paragraph (4) is the one which would require you to repeal the Contract Settlement Act, if you leave it as it is.

The CHAIRMAN. That amendment which you submitted here a moment ago takes the place of paragraph (2) altogether?

General CLAY. Yes, sir.

The CHAIRMAN. So we cut out (2) altogether. Is that agreeable to everybody?

Senator MURRAY. Yes.

The CHAIRMAN. As it is now, as we agreed upon it, it will read:

"The Chairman of the War Production Board shall, subject to the direction of the Director", and so forth, and then at the top of page 13 you merely add the word "and" and cut out the words "The Chairman of the War Production Board".

Is that correct?

Mr. MARBERRY. That is right.

The CHAIRMAN. On line 17 the addition that has been suggested by the General here, reading

"to the extent feasible with" subcontractors with respect to the selection of subcontracts for curtailment, nonrenewal, or termination.

That is correct, is it not?

General CLAY. Yes.

The CHAIRMAN. All right. I believe paragraph (4) has been covered.

Now, in regard to line 10 on page 14, Senator Murray suggested that there be placed a repeal there.

Senator JOHNSON. Is that a sixth paragraph, then?

The CHAIRMAN. Is that a new paragraph, Senator?

Senator MURRAY. Yes; it would be a new section.

The CHAIRMAN. Section (6)?

Senator MURRAY. Yes.

Senator JOHNSON. It would not be section (6).

The CHAIRMAN. Subsection (6), and that reads:

Subsection (a) of section 11 of Public Law No. 395, Seventy-eighth Congress, is hereby repealed.

Mr. MURPHY. You might refer to that as the Contract Settlement Act of 1944.

The CHAIRMAN. All right.

Now, we go to section 203 (a) which reads:

Whenever the expansion, resumption, or initiation of production for nonwar use is authorized, on a restricted basis, by the War Production Board or any other Government agency having control over manpower, production, or materials, the restrictions imposed shall not be such as to prevent any small plant capable and desirous of participating in such expansion, resumption, or initiation of production for nonwar use from achieving reasonable economies of operations in such production.

Are there any comments? If not, we will proceed to section (b), which reads:

Whenever the War Production Board or such other Government agency releases or authorizes the use of any materials, subject to quotas, production schedules, or any other restrictions, for the production of any item or group of items for nonwar use, it shall set aside a percentage of such materials for the exclusive use by small plants for the production of such item or group of items. Such percentage shall be determined by the Chairman of the War Production Board or the head of such other Government agency after giving full consideration to the claims presented by the chairman of the board of directors of the Smaller War Plants Corporation.

In allocating the materials thus set aside among such small plants, the Chairman of the War Production Board of the head of such other Government agency shall follow the criteria, standards, quotas, schedules, or other conditioning factors to be established by the chairman of the board of directors of the Smaller War Plants Corporation and shall prevent any discrimination against such small plants in the sale and delivery of such material. For the purposes of this title, a small plant means any small business concern engaged primarily in production or manufacturing employing 250 wage earners or less. The Chairman of the War Production Board or the head of such other Government agency may agree with the

chairman of the board of directors of the Smaller War Plants Corporation that other business concerns may be considered small plants by reason of their relative size in industry.

Any comments?

Senator REVERCOMB. I want to ask this question, that I asked before with respect to another section: Does this indicate that the War Production Board shall exercise powers of allocating materials for 2 years after the war has ended?

Can anyone answer that?

Senator KILGORE. No. When the War Production Board authorizes the release of materials subject to quotas, that at the time of the release are subject to quotas, then, and in that case only, shall the amount released be rationed. The minute the quota is taken off it becomes open. In other words, if they decide to release a certain amount of, let us say, copper, which is on a quota basis, the amount released shall be rationed to the small plants in their fair share.

Senator REVERCOMB. What is the life of the War Production Board under the statute?

Senator KILGORE. It is under the War Powers Act.

Senator REVERCOMB. And the War Powers Act expires 6 months after the termination of hostilities.

Senator KILGORE. Yes.

Senator REVERCOMB. Therefore, the War Production Board terminates 6 months after the termination of hostilities.

Senator KILGORE. Yes.

Senator REVERCOMB. I just wanted that clear.

Senator MURRAY. There is no objection to that, is there?

The CHAIRMAN. If there is no objection, we will take up section 204, which reads:

> The Attorney General is directed to make surveys for the purpose of determining any factors which may tend to eliminate competition, create or strengthen monopolies, injure small business, or otherwise promote undue concentration of economic power in the course of war mobilization and during the period of transition from war to peace and thereafter. The Attorney General shall submit to the Congress within ninety days after the approval of this Act, and at such times thereafter he deems desirable, reports setting forth the results of such surveys and including recommendations for such legislation as he may deem necessary or desirable.

Any comments? If not, we will pass to title III.

Senator AUSTIN. Just a moment, Mr. Chairman. I now wish to make the motion I spoke of. I move we separate the two titles that we have considered from the rest of the bill and consider them separately, with a view to reporting them as separate bills.

The CHAIRMAN. Any comments on that, Senator Johnson?

Senator JOHNSON. Yes; I have a comment to make on that. I would not object to the separation of titles I and II and place them in one bill and put title III in another bill provided title III is voted out of this committee and sent to the floor. I would not want to separate them for the purpose of killing title III. I am convinced that we are running into jurisdictional difficulties and troubles, not only in the Senate but in the House. I would like to see title III enacted into law. I am not so much interested in handling it as a bill or passing it in this committee separately, but I would like to see it written into the law.

This is what I think, and my reason for favoring a separation: You have got two different programs here in this bill, titles I and II and title III. Titles I and II are one program and title III is another. When this bill passes to the Senate and goes to the House, where will it go? It will go to the Military Affairs Committee of the House probably, with titles I and II in there, but over in the House we have the Ways and Means Committee. There is no committee in Congress as jealous of its powers as the Ways and Means Committee. I do not think they are going to stand for one minute for the Military Affairs Committee bringing out title III. They think they have jurisdiction over social security matters, and they will insist on having title III.

This is what I fear will happen: If this bill goes to the House in its consolidated form it will be pigeonholed and remain there for a long, long time. If I wanted to defeat the Kilgore bill, or S. 1893, or title III, if I wanted to defeat that legislation the thing I would want to do is keep them all together. That is exactly what will happen to you if you put them out all together.

Now, we have a bill from the Senate Finance Committee pending in the Senate, and it seems to me that this committee, if it is interested in the passage of title III, ought to pass title III out there on the floor and try to amend the Senate Finance Committee bill with title III, that is, if we are interested in getting it through which I am. That is the way I feel about it, and I would favor the separation, provided title III goes out there on the floor of the Senate.

Senator AUSTIN. I want to say, Senator Johnson, that there isn't any purpose on my part to block title III from getting out of this committee.

Senator JOHNSON. I do not mean that.

Senator AUSTIN. I know you do not mean that. I just want to corroborate what you said. Although I am opposed to title III and I would vote against it, yet I think it ought to go out on the floor from this committee. I haven't any doubt that you have the votes to put it out anyway.

I have no idea of going into a detailed fight on title III here because I know it would probably amount to nothing more than duplication of effort, and it would be probably a waste of time to go into it in detail here. So, I do not see why titles I and II could not be reported out separately, if they are going to be reported out, and title III reported out, too, today. Both can be taken care of at the same time. Before it is done, though, I would like the privilege of moving to substitute for title III the language of the bill that is now pending in the Senate, just to have the record clear on that. That is all I have got to say.

The CHAIRMAN. You want to separate titles I and II from title III?

Senator AUSTIN. Yes.

The CHAIRMAN. And report titles I and II, as a separate bill?

Senator AUSTIN. I don't want to report them.

The CHAIRMAN. You want to separate them?

Senator AUSTIN. I want to separate them.

The CHAIRMAN. Senator Hill.

Senator HILL. Senator Kilgore would like to say something first.

Senator KILGORE. In the first place, this bill came out of Senator Murray's committee in toto. I do not think anybody is foolish enough here to think this bill, if it gets to the House, will pass without objection on the floor; therefore, it will go to the Ways and Means Committee anyway. Isn't that right, Senator Hill?

Senator HILL. I could not say it would be necessary to go to the Ways and Means Committee.

Senator KILGORE. It would eventually wind up there.

Senator HILL. How is that?

Senator KILGORE. No matter how it is worded, it will wind up there.

Senator HILL. It may well wind up there, and undoubtedly title III more properly falls in the jurisdiction of the Ways and Means Committee than any other committee in the House.

Senator KILGORE. I doubt if it falls in the jurisdiction of the Ways and Means Committee, because it is not a revenue act.

Senator HILL. But it deals with a subject that the Ways and Means Committee has been working on; that is, insurance.

Senator KILGORE. Let us decide on titles III and IV and V, and then let us decide whether we will split up this bill.

The CHAIRMAN. Before we go into that, is not Senator Austin entitled to a vote on his motion?

Senator KILGORE. Oh, yes.

Senator MURRAY. If we reported this bill without this title III it seems to me it would create consternation in the country. I think the public regards this as the most important part of the thing, outside of the setting up of the over-all administration.

Senator AUSTIN. If you reported titles I and II and if you reported title III also as a separate item, that difficulty could not arise, and that is what I suggested.

Senator KILGORE. Mr. Chairman, could I ask Mr. Latimer a question?

Senator HILL. Let me ask you this question: Talking about reporting it a separate bill, how would you report it as a separate bill? Now, you have got the Kilgore bill before you.

Senator KILGORE. We have got this unnumbered bill before us.

Senator HILL. When you go before the House or the Senate you have got to report a bill that is numbered. You have got to take a bill that has been introduced on the floor of the Senate in open session and that has been referred to this committee.

Senator KILGORE. That is right.

Senator MURRAY. I understand from the legislative counsel here that you can report this bill without a number.

Senator HILL. Without having been introduced at all?

Won't you report it in lieu of some bill that has been introduced?

Mr. MURPHY. No.

Senator HILL. That is the first time in my 20 years in Congress that I know of that being done.

Senator AUSTIN. How does a committee bill go into the Congress?

Senator HILL. It is introduced by the chairman of the committee or some member of the committee.

Senator JOHNSON. It always has a number and has been read in the Senate.

Senator HILL. I am very much interested in this. Does Mr. Murphy mean that we could report this bill, a bill with a new number that has never been introduced in the Senate at all?

Mr. MURPHY. Yes, you can report a bill from the committee that was never introduced in the Senate, if you give it a number when it is reported. I consulted with Mr. Watkins about that yesterday. I remember personally one case in which it was done from the Judiciary Committee. Somebody was inquiring about that yesterday, so I went and talked with Mr. Watkins about it.

Senator HILL. Of course, he is the Parliamentarian, he keeps up with the precedents as to what has been done; he knows about it. I do not know of any instance where that has been done.

Senator MURRAY. It seems to me quite logical that a committee such as this committee, studying a problem, and in an emergency, where it would be necessary to get out legislation, that it should have the power to report it out.

Senator HILL. That may be true. Of course, the rules are not written on the basis of emergency.

Senator MURRAY. On good common sense.

Senator HILL. I do know that you could not do it in the House of Representatives. It may be that you know the Senate rules better than I. It may be more honored by the breach than by the performance.

Senator JOHNSON. I was going to simply say at the proper time I would move that everything be stricken after the enacting clause in Senate bill 1893 and title III be substituted therefor, and that it be reported out favorably, and that titles I and II be reported favorably to the Senate separately. I would make that as a substitute motion for Senator Austin's motion at the proper time, but I think that Senator Murray is correct in suggesting that we go on and finish up title III. It is pretty hard to vote it out on the floor until we know what title III is to contain. I think we should determine the other titles in this bill. I understand there is title IV also. I don't know where title IV belongs, whether it belongs to title III or not.

Senator AUSTIN. That is a housing detail.

Senator KILGORE. It belongs to title III, I think.

Senator AUSTIN. Most of it belongs to title III.

Senator KILGORE. It belongs also to titles I and II.

Senator AUSTIN. Very little.

Senator JOHNSON. I want to emphasize again to Senator Kilgore that he knows as much about the House as I do, and neither of us have ever served there, but in the Senate Finance Committee we have had just a lot of trouble with the Ways and Means Committee—I would not say "trouble," but we have had a lot of experience with them and we know how jealous they are of what they are trying to do, and I tell you you cannot get away from them.

Senator KILGORE. Mr. Chairman, I would wan to ask a question of Mr. Latimer.

The CHAIRMAN. Very well.

Senator KILGORE. Is there anything in title III, according to your study, that puts it before the House Ways and Means Committee?

Mr. LATIMER. Not necessarily. I would also like to add this: There has been a substantial volume of social security legislation that has not been before the Ways and Means Committee.

Senator KILGORE. Is there anything in this that specifically puts it before the Ways and Means Committee under the standing rules?

Mr. LATIMER. Not necessarily.

Senator KILGORE. Any piece of legislation can get before the Ways and Means Committee upon objection on the floor and stay there until they release it.

Mr. LATIMER. I have had occasion to make an extensive study of what the rules for referral in the House involve. There is nothing in the House rules specifically dealing with the problem, but these facts are well established. When there is no rule of germaneness which

requires the reference of a particular bill to a committee dealing with the same subject, anyone who wants to put a bill in a certain committee may put it there.

A bill will be referred to the committee which has jurisdiction over whatever the basic problem dealt with by the bill may be. It may be social insurance in the railroad industry. No bill dealing with social insurance in the railroad industry, including taxes, unless it deals with nothing but taxes, will be referred to Ways and Means. There have been bills that have been referred to the Committee on Interstate Commerce in the House which have dealt with nothing but taxes, that were referred to, considered by, passed and reported on by Interstate Commerce, and they never got around to Ways and Means.

Senator MURRAY. The public utility holding company bill was handled in the Interstate Commerce Committee in the Senate. That is another illustration.

Mr. LATIMER. Also the Interstate Commerce Committee of the House. Railroad tax legislation is now pending and went before the Interstate Commerce Committee of the House, a bill which includes taxes on railroads and employees. The rule about revenue measures being referred to Ways and Means would be correct.

Senator JOHNSON. I would like to ask Mr. Latimer this question: Where would the so-called George bill go?

Mr. LATIMER. That is an amendment to the Social Security Act, which is referred to and reported on by Ways and Means. I think no doubt it would go to Ways and Means.

Senator MURRAY. You mean the George bill on unemployment compensation?

Senator JOHNSON. Yes.

Senator MURRAY. I understand he wants it to become title III in this legislation.

Mr. RUSSELL. I do not think that is Senator George's idea. I think Senator Austin plans to offer it as a substitute for title III.

Senator JOHNSON. Where does the George bill go?

Mr. LATIMER. In its present form no doubt to Ways and Means.

Senator JOHNSON. That is my conclusion also. Now, if the George bill goes to the Ways and Means Committee and this bill goes to the House Military Affairs Committee, what is going to happen to this bill in that case?

Senator MURRAY. The George bill won't go if this bill goes. If this bill is reported to the Senate and accepted in the Senate, that ends the George bill, doesn't it?

Mr. LATIMER. I suppose so. Of course, the George bill may be introduced by some Congressman and it may be referred to Ways and Means.

Senator JOHNSON. I can conceive of both of them passing the Senate.

Senator MURRAY. I cannot conceive of both of them passing the Senate.

Senator JOHNSON. There is no necessary conflict, but there is a necessary pigeonholing, and I think if we want to see this legislation pass, and I do, I am concerned about the pigeonholing.

Now I would like to ask Mr. Latimer just one more question. You are familiar with title III?

Mr. LATIMER. Yes.

Senator JOHNSON. Don't you believe, with the Ways and Means Committee handling, as it does, social-security legislation, it will insist upon handling title III whether it is separated or whether it goes as a part of another bill?

Mr. LATIMER. I am not sure. They never asserted the slightest jurisdiction over social-security matters as far as railroads are concerned.

Senator JOHNSON. Railroad Retirement is not in social security.

Mr. LATIMER. It was and was taken out by Interstate Commerce.

Senator JOHNSON. So it is in a different category. Can you tell me of any social-security legislation that has ever been enacted that the Ways and Means Committee has handled?

Mr. LATIMER. Yes; Public Law 17 of the present Congress that made a number of amendments to the Social Security Act was referred, with primary reference to Merchant Marine and Fisheries.

Senator JOHNSON. What did it pertain to?

Mr. LATIMER. It pertained to certain definitions in the Social Security Act.

Senator JOHNSON. Do you think title III would go to the Ways and Means Committee?

Mr. LATIMER. Under the rules for referral in the House, if this bill should be reported in its present form I have no doubt it would probably go to the jurisdiction of the Committee on Military Affairs.

Mr. SCHIMMEL. Senator Johnson, I want to say this: The companion bill to S. 1893 has been referred to Judiciary, and the reason for that was the Military Affairs and Naval Affairs had conflicting jurisidictions and under contract termination they chose the Judiciary Committee as being the one that was above an interest.

Senator HILL. That being the case, this bill would go to the Judiciary.

Senator JOHNSON. My only interest in separation, I want to make it clear, is to keep title III from being pigeonholed.

Senator KILGORE. Under that precedent I imagine this bill would go to the Judiciary Committee in the House, if they have already established a precedent.

Senator JOHNSON. In that case my argument falls.

Senator HILL. I do not think the Senator's fears are well founded. I think if this bill passes the Senate with all these different titles in it, it would not necessarily have to go to the Ways and Means Committee at all. The fact of the business is, it would be referred by the Speaker to the Parliamentarian. If he has already sent the companion bill to the Judiciary Committee in the House, he would undoubtedly send this bill straight to the Judiciary Committee in the House.

Senator JOHNSON. I understand Mr. Rayburn, Speaker of the House, has been consulted about this bill. He has not told me that, but I understand he has stated that title III would be referred, if it passed the Senate and came to the House, to the Ways and Means Committee. But that is hearsay with me. It was from pretty reliable authority, but it is still hearsay.

Senator HILL. Did the Senator hear that Mr. Rayburn said he would refer title III of this bill or he would refer the George bill to the Ways and Means Committee of the House? Undoubtedly, in my opinion,

if the George bill passes as a separate bill, I think the George bill would go to the Ways and Means Committee of the House.

Mr. RUSSELL. Senator, this S. 1893 and this companion bill do not mention social security in the title.

Senator HILL. That would account for it. It is nothing unusual, of course, for a committee to get a bill with many different subjects in it. We have had before this committee, as Senator Austin well knows, bills in the past dealing with many different subjects. I think undoubtedly, if the George bill passes the Senate, being a bill to amend the Social Security Act, it would go to the Ways and Means Committee of the House, but the companion bill to this Kilgore bill having been referred to the Judiciary Committee, involving a great many other things besides unemployment and any amendments to the Social Security Act, I think this bill would go straight to the Judiciary Committee of the House.

Senator JOHNSON. It was my hope that title III could be substituted, just the reverse of what Senator Austin wants to do, that title III could be inserted in the George bill and pass the Senate. He wants to insert the George bill in this and pass it, but I want to do just the opposite, and it is my hope that that could happen.

Senator MURRAY. Don't you think we should go ahead now and see if we cannot finish the unemployment-compensation bill tonight?

Senator AUSTIN. I have a motion pending.

The CHAIRMAN. Do you insist upon that, Senator?

Senator AUSTIN. Yes.

The CHAIRMAN. Repeat the motion.

Senator AUSTIN. That we separate titles I and II from the rest of the bill and consider them separately.

The CHAIRMAN. All in favor of that please let it be known by raising their right hand.

Senator AUSTIN. Senator Gurney is not here.

Senator MURRAY. Title IV is in here, too.

Senator AUSTIN. I mean separate titles I and II, have them stand alone.

Senator REVERCOMB. Senator Gurney may vote when he comes.

The CHAIRMAN. All in favor of that please raise their right hand. Three. All who do not favor it please raise their hand. Five. The motion is lost.

You have a second motion, Senator?

Senator AUSTIN. Not at this time, thank you.

The CHAIRMAN. I understood you wanted to make a motion to substitute the George bill.

Senator AUSTIN. Yes; but that, I suppose, will come properly after whatever procedure you take on title III.

Senator HILL. That would not come until we get through with title III.

The CHAIRMAN. We will then proceed with title III, which reads:

SECTION 301. The Congress hereby declares that the objectives of this title are—

(a) To facilitate the most effective mobilization and maximum utilization of the Nation's manpower in the prosecution of the war;

(b) To maintain maximum employment in the transition from war- to peace-time production;

(c) To provide for the coordination of the demobilization of servicemen with employment opportunities under a policy of demobilizing servicemen as rapidly as the military situation permits.

Senator MURRAY. Is it necessary to read this line by line or cannot we take out the part that we are in conflict on?

Senator AUSTIN. I think your suggestion would expedite the consideration of it.

Senator HILL. I notice you put the salary of the Administrator of Retraining and Reemployment at $12,000. I wonder what General Hines gets. Do you know?

Mr. RUSSELL. He gets a general's salary.

Senator HILL. No, he does not get a general's salary.

The CHAIRMAN. Doesn't he get $12,000 a year?

Senator HILL. I think he does. Does he, Mr. Latimer?

Mr. LATIMER. Yes.

The CHAIRMAN. We better leave it at that.

Senator HILL. Leave it at that.

The CHAIRMAN. That is on page 17, regarding the compensation. What is next, gentlemen?

Senator MURRAY. We are talking about what sections in here we will be in conflict on. There is nothing in sections 303 and 304 to worry about.

Senator REVERCOMB. Mr. Chairman, I think it proper at this time to make a statement into the record here. I have filed the minority report as a member of the War Contract Subcommittee, and will state that I am opposed to the provisions contained in this title III. I do not care to go into an extended restatement of my objections, they are in print, and I understand they have been made a part of this record.

The CHAIRMAN. I think we embodied that in the record the other day. I think you should state generally what your objections are.

Senator REVERCOMB. My objections are, first, that I think the table on page 22 gives greater payments for unemployment than certain persons who work earned while they were employed in the best years of their work. I think that such a provision is conducive to create unemployment and invite unemployment rather than bring about reemployment.

I am opposed to the great powers vested in the official known as the Work Administrator created under this act, that it gives absolute, almost unlimited power over people who will seek work in this country, the workers of America.

I am opposed to that section contained on page 20 of the unnumbered proposed bill, which authorizes the Work Administrator to select or designate any person, without qualification as to fitness or as to numbers, and at the expense of the Government give them vocational education and schooling for 6 months, and while they are receiving it pay, at Government expense, each person $50 to $100, rated according to the number of dependents such person may have. I do not think the Congress is justified in authorizing any public official to educate any number of persons at public expense.

The possible great cost, not only of the payments provided under the table of payments on page 22 but also the cost of administration, the cost of this education, would be a burden upon the Public Treasury that I doubt can be carried, and will retard recovery rather than aid it in this country.

I do want to make the statement that I realize the Government has the very high duty of providing relief to those who are necessarily

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unemployed, but a law to meet unemployment and to aid those and prevent want and suffering must be for that purpose and not to establish the principle or the idea that people who can support themselves must be supported by their government.

I think that is all I care to say upon the subject. It covers in general my objections to this particular law and this particular title III in the law. I will go as far as any Member of this Congress in taking steps to prevent want or need for the necessities of life among any of our people, but I do not think this particular bill is sound. That is my opinion, and I stated in a general way my reasons for reaching my opinion.

Senator AUSTIN. Is the letter of General Hines already made a part of the record?

Senator MURRAY. Yes, I made it a part of the record the first day.

Senator AUSTIN. It bears on the same section, 307 (a), to which Senator Revercomb has addressed some remarks. I mention it here only to make a cross-reference to it in this same connection.

Senator MURRAY. General Hines' letter, I believe, is in the majority report.

Senator HILL. Part of it is in the minority report which has been made a part of the record. The Senator from West Virginia set up a part of it, I do not know how much of it, in the minority report, page 4 of the minority report.

Senator AUSTIN. If it is appropriate I would like to call attention to page 18, line 19, and suggest striking out the words "the Director of Selective Service, with the assistance of", for the reason that he has no original information touching upon this subject, and I suggest coordinating the rest of the language with it by striking out from line 24, "the Selective Service and", and "the Director of the Selective Service System" on page 19, line 3, and that in line 4 on page 19 the word "full" be stricken out and the word "such" be inserted in lieu of it, and the following words added to line 5, after taking the period out, namely, "as military security permits".

The CHAIRMAN. Is there any objection to that, gentlemen?

Senator KILGORE. No.

The CHAIRMAN. No objection. Senator, will you please read that again?

Senator MURRAY. I think you better rule on each one of them separately.

Senator KILGORE. I was talking about the last one, "unless military security permits."

The CHAIRMAN. Let us take the first one.

Senator AUSTIN. Page 18, line 19, strike out the words "the Director of Selective Service, with the assistance of".

Senator KILGORE. May I get the basis behind that suggestion, Senator Austin?

Senator AUSTIN. Simply that the Director of Selective Service would have to go to the War and Navy Departments and obtain this information. He hasn't any original source of information.

Senator KILGORE. I will concede your amendment.

Senator JOHNSON. I would like Colonel Sanders' opinion on the amendment just proposed by Senator Austin.

Colonel SANDERS. I think it removes from the bill just another bottleneck, where you would be passing the information through an agency mandatorily that had nothing to contribute to it.

Senator KILGORE. And it would enable you to demobilize Selective Service quicker.

Colonel SANDERS. Yes.

The CHAIRMAN. The paragraph would start on line 20, then, would it not, Senator?

Senator AUSTIN. Yes.

The CHAIRMAN. With a capital "T."

Senator AUSTIN. With a capital "T." Then in line 24 strike out the words "the Selective Service and".

Senator REVERCOMB. The same page?

Senator AUSTIN. Yes.

The CHAIRMAN. It would read, "for the War and Navy Departments to furnish".

Senator AUSTIN. Yes.

Then on page 19, line 3, strike out "The Director of the Selective Service System and", and in line 4 strike out the word "full" and insert in lieu thereof the word "such".

Senator JOHNSON. It would be "such data on such demobilization"?

Senator AUSTIN. Yes.

In line 5 strike out the period and add the words, "as military security permits."

The CHAIRMAN. Is that all right, gentlemen?

Senator REVERCOMB. Mr. Chairman, may I just make a further statement that I did not make before, that I omitted?

The CHAIRMAN. Certainly, Senator.

Senator REVERCOMB. I refer to title III of the unnumbered proposed bill. I am further opposed to this title because it gives better benefits for the unemployment of a civilian worker than it does to an ex-serviceman who is unemployed.

The CHAIRMAN. It gives more benefits?

Senator REVERCOMB. Yes, more benefits to the civilian worker.

Senator AUSTIN. Have you passed on my motion?

The CHAIRMAN. Yes, we have passed on your motion.

Senator MURRAY. All of your amendments have been accepted.

The CHAIRMAN. They have been accepted.

Senator GURNEY. There is one little statement by me, and that is I agree wholeheartedly with the statement made by Senator Revercomb, for it is my belief it is most necessary that our country remain strong, and in order to start in being strong we must maintain a sound government, and we cannot do it by excessive payments for unemployment poured in on top of the tremendous war cost that we have already drained our Federal Treasury with.

Senator KILGORE. Mr. Chairman, I have an amendment to suggest to section 304, and that is that we put in a subsection (c) on page 19, between lines 5 and 6, at the end of subsection (b).

The CHAIRMAN. You make that subsection (c)?

Senator KILGORE. It would be subsection (c), between lines 5 and 6, to read as follows:

The War and Navy Departments shall discharge from the armed forces of the United States the men and women serving therein during the present war as rapidly as the appropriate department determines that the services of such persons are no longer needed for the prosecution of the war or for the national defense, and shall not retain such persons in the armed forces merely for the purpose of preventing unemployment or awaiting opportunities for employment.

That is section 301 of this committee print which contains title III, that pertains to the discharges. I offer that as an amendment.

Senator MURRAY. Is there any objection to that?

The CHAIRMAN. Is there any objection? Any comment? If not, it may be adopted.

All right, what next, gentlemen?

Senator KILGORE. On page 22, line 10, strike out everything after "shall be" up to and including the word "*Provided*" on line 14.

Senator JOHNSON. Now, where do you start striking out?

Senator KILGORE. On line 10, page 22, strike out after the words "shall be", starting in with the words "the amount appearing in the following table in column 2".

The CHAIRMAN. Strike out all the way?

Senator KILGORE. All the way down to and including the word "*Provided*" on line 14.

The CHAIRMAN. You strike the table out, then?

Senator KILGORE. Including the table. Insert the following:

75 percent of weekly wages: *Provided, however,* That these amounts shall be rounded upward to the nearest dollar but shall not, in any event, exceed $35 per week: *And provided further—*

then it goes right on with the text for qualified employees.

In order to make that complete, on page 47, after line 22, insert "weekly wages."

The CHAIRMAN. Wait a minute. Is that a new paragraph?

Senator KILGORE. A new sentence.

The CHAIRMAN. That would be paragraph (m)?

Senator KILGORE. Yes, it would be (m). It is part of the definition, and the "weekly wages" is in quotation marks. After line 22, subparagraph (m),

"Weekly wages" shall be determined by dividing the wages in that quarter of the three calendar years preceding application for benefits in which such wages were highest by 13: *Provided, however,* That in the case of any individual whose exact wages are not available or the record of whose wages was not maintained by quarters, the quarterly wages shall be determined on a basis deemed by the Administrator to be fair and equitable.

Senator REVERCOMB. I want to state for the record that even with the amendment offered there is a definite discrimination against the unemployed ex-serviceman.

Senator KILGORE. No.

Senator REVERCOMB. Yes, I should think so. In working it on the basis of 75 percent you give the worker a percentage of what his earnings were during the high-wage employment era of the war, whereas anyone, even a single person, who earned enough so that 75 percent would equal $35 would receive $35, and whereas a returned serviceman, in order to get $35, must have three or more dependents.

Senator MURRAY. I have introduced a bill providing that very thing, amending the G. I. bill, to make that provision for the returned serviceman.

Senator REVERCOMB. Is that bill pending in the Senate?

Senator MURRAY. It is pending right now, yes.

Senator HILL. To do what, you say, Senator Murray?

Senator MURRAY. To get the servicemen up to this $35, providing $5 for each of his dependents up to $35.

Senator REVERCOMB. This bill does that but my point is, Senator, that a single man or a single woman who has worked in the plants and made enough so that 75 percent of their wages would equal $35, would receive $35 a week during unemployment, whereas a serviceman, if a soldier or a sailor who served in this war becomes unemployed, he must have three dependents in order to get the $35. It does not change the discrimination.

The CHAIRMAN. Why don't you suggest an amendment here?

Senator REVERCOMB. I have no amendment to offer on that, sir.

Mr. SCHIMMEL. We are trying to compute the average payment to the serviceman and average payment to the civilian worker, and it seems the average payment to the serviceman will be higher than the average payment to the civilian worker.

Senator HILL. Have you determined that?

Mr. SCHIMMEL. It is not easy to compute, Senator Hill. We have got someone working on that. I think it will show pretty definitely the civilian worker will average less than the serviceman, but you have no wage records to tie in with the serviceman. If the serviceman has a wage record, according to this bill he could get up to $35, if he has a wage record within the last 3 calendar years. If he hasn't, he is entitled to a minimum according to the number of dependents.

The CHAIRMAN. What have you to say on that, Senator Revercomb?

Senator REVERCOMB. I have nothing to say on that.

Senator KILGORE. These are not in addition to unemployment-compensation payments, these are a leveling-off process. A large part of that will comes from the unemployment compensation.

The CHAIRMAN. Senator Kilgore, how much have you estimated it would cost the Government to carry out this program?

Senator KILGORE. I am trying to get a computation on it now.

Senator REVERCOMB. Don't you think most of them would draw $35 a week?

Senator KILGORE. No.

The CHAIRMAN. Has this ever been submitted to the Bureau of the Budget? Have you got any idea as to what the program would cost?

Senator KILGORE. I haven't had any dealings with the Government agencies, and reports of the various agencies made to the subcommittee on the bill would show that, and I haven't that.

Colonel SAUNDERS. I think the costs of these things have got to be determined on the proposition as to whether this is going to act as a preventive of a depression or as a payment during unemployment, and its primary purpose is to prevent a depression. So that the more it will do that, the less it will cost, regardless of what the scale is. In other words, this is to keep the unemployment from occurring.

Senator MURRAY. It is a part of the war and its cost will be insignificant in comparison to the cost of the war.

The CHAIRMAN. Then you have in mind substituting, to a large degree, W. P. A., or something of that sort?

Senator KILGORE. If we would get 20,000,000 unemployed in this country—it is a progressive disease, because the lack of buying power of 20,000,000, if there were not some purchasing power left in those 20,000,000 people, would cause in a very short time 5,000,000 or 6,000,000 more to be unemployed, and it would be progressive. If the buying power were maintained, the conversion would be more rapid

and there would be more incentive for private industry to get in business, and the period of reconversion would be relatively shorter. If you are figuring on taking care of the whole United States, of course with no manufactures going, no industry going, you would run into a tremendous figure, but if you figure getting industry back on a paying basis, you have got to keep up the buying power.

The difference between buying power and relief is this, that relief does not stimulate industry, where a reasonable amount of buying power does stimulate industry to get back into business and take people off the unemployment rolls.

The CHAIRMAN. I will tell you what you have got to take into consideration, gentlemen. You are going to have to face it sooner or later. You are going to have to find out what a lot of these programs are going to cost you. For instance, it is estimated, to take care of the veterans for this World War it is going to cost $120,000,000,000.

Senator KILGORE. It is going to cost 3.11 as much to take care of the female soldiers as it does the male soldiers too.

The CHAIRMAN. We have got to get some general idea as to what these totals will cost.

Senator KILGORE. I am speaking from 20 years' experience.

The CHAIRMAN. The question is, Where are you going to get the money? Because when the war stops the taxes stop coming in.

Senator JOHNSON. Is title III an authorization, Senator Kilgore, for an appropriation?

Senator KILGORE. Of course, you will have to have this law in order to get the money appropriated. Just like you decide you are going to build a dam on the Mississippi River, you have got to have an authorization for the dam. Recently we passed a bill creating salaried court reporters in the Federal courts, and so far we have no appropriation, the judges cannot hire them.

Senator JOHNSON. My question is, Is this title III an authorization?

Senator KILGORE. Yes.

Senator MURRAY. Yes. On page 47, section 502, it states:

> There are authorized to be appropriated such sums as may be necessary or appropriate to carry out the purposes and provisions of this act.

Senator JOHNSON. Then I want to ask this other question: Why was not this bill submitted to the Bureau of the Budget for their approval? You are going to face that question when you get on the Senate floor.

Mr. SCHIMMEL. The agencies that have reported on the bill presumably have consulted with the Bureau of the Budget. I do not think any agencies were allowed to report independently. I believe—and I know many of the people down there—there was no basis for determining the cost of such a bill except experience. We get back to the point that Colonel Sanders raised, and that is: Is the fact you guarantee a minimum purchasing power to war workers under this bill going to be something that will prevent unemployment? If it does even though you pay higher unemployment compensation the total amount of money you spend on unemployment compensation nationally may be considerably less than if you pay a low compensation. That is one of the factors in the bill. If, for example, under this bill you only have 3,000,000 unemployed, then the States will be paying about half the cost and the Federal Government half the cost. If

without the bill you have 12,000,000 unemployed, even though the benefits are only half as much, you will be paying twice as much money.

The CHAIRMAN. Would not it be cheaper for the Government, and to the benefit of the Government, to conduct a Federal works program? By a public works program you are getting something accomplished, and by the unemployment compensation as outlined in here you are not getting anything except a deficit.

Senator KILGORE. That is the very purpose of this bill, to stimulate employment, to take up the slack.

Senator AUSTIN. Has any department of the Government favorably reported on this bill?

Mr. SCHIMMEL. The Social Security Board, I believe, has favorably reported on the amount, but wishes to deplete the State funds. That has been a long-time objective of the Social Security Board. The bill is not drawn in such a way as to deplete the State funds. According to the provisions of this bill the States will only pay the benefits that they have obligated themselves to pay on the date of the enactment of the title.

Senator AUSTIN. What departments of the Government have reported adversely?

Senator KILGORE. Senator Austin, I have not seen the reports, but the main reports have been by the War Department on two specific phases.

Senator JOHNSON. The chairman of the committee is here.

Mr. SCHIMMEL. Mr. Latimer, who is Chairman of the Railroad Retirement Board, has studied the bill and has made an analysis of it—and I believe Senator Murray and Senator Kilgore both have—as to its workability. He is one of the outstanding social-security experts in the country.

Senator AUSTIN. What agencies of the Government have been asked for an opinion?

Senator KILGORE. I would have to leave that up to the subcommittee.

Senator AUSTIN. Will the chairman of the subcommittee state?

Senator MURRAY. What is that?

Senator AUSTIN. What agencies of the Government have been asked to report on this bill?

Senator MURRAY. General Hines has reported on it, and Social Security has reported on it. We also asked Mr. Latimer to report on it, and he filed his report as we opened the hearings here and it is in the record.

The CHAIRMAN. Was it favorable?

Senator MURRAY. Yes.

The CHAIRMAN. Was General Hines' report favorable?

Senator MURRAY. Yes.

Senator REVERCOMB. Has Mr. Byrnes expressed a view on this?

Senator AUSTIN. I am informed General Hines' report is very unfavorable.

Senator MURRAY. No.

Senator REVERCOMB. Mr. Chairman, it is my recollection that Mr. Byrnes testified on this subject.

The CHAIRMAN. Who?

Senator REVERCOMB. Mr. Justice Byrnes. His statements are in the record on the question of amount to be paid. My recollection is that he suggested that the amount be $20 per week.

The CHAIRMAN. Colonel Sanders, just make the statement to the committee that you made to me a moment ago in regard to Work Progress, in reference to this subject that we have before us here.

Colonel SANDERS. In comparing the effect of relief to people——

Senator AUSTIN. Would you allow an interruption?

The CHAIRMAN. Certainly.

Senator AUSTIN. So as not to get away from the questions I have been asking, I call attention to page 21 of the subcommittee print of the additional report, second session, Seventy-eighth Congress, signed by Watson B. Miller, Acting Administrator of the Federal Security Agency, saying:

> Because of the limited time available for the preparation of this report, no advice has been obtained from the Bureau of the Budget as to the relationship of these comments to the program of the President.

In Senator Revercomb's adverse report to the subcommittee there is a quotation from General Hines' report, on pages 4 and 5, that seems to tear the bill to pieces.

Colonel SANDERS. In studying the effect on rehabilitating people and getting them on their feet by putting them into public works projects as against giving them monetary relief, I think it will be found that the public works project is the less successful. I am referring now to giving people work on projects to which they are not accustomed. In other words, you break the morale of people faster. You take a white-collar worker and put him on a laborer's job, or other things of that sort, you break his morale and get him more discouraged than if he was being given financial relief while you waited to get him on a proper kind of work. I was to the contrary opinion 10 years ago, but watching it has given me the experience and I changed my opinion about it. I found too many men who had been left in eddies, completely discouraged from having gotten on that type of work.

Senator MURRAY. I understand it is not necessary to get a report from the Bureau of the Budget when a bill is filed in the Senate, it is only when the request comes from a Government agency that they make the statement that they submitted it to the Bureau of the Budget, and the Bureau of the Budget has approved it.

Senator JOHNSON. Any bill coming before the Congress, which has to do with the authorization or appropriation of funds, the usual inquiry by the Senate itself and by Members of the Senate is as to whether the Bureau of the Budget approves it or disapproves it. That is not a rule—that is just a requirement out there on the Senate floor.

Senator MURRAY. I will ask Mr. Murphy as to what is the practice in the Senate.

Mr. MURPHY. The practice varies. There is no formal requirement about itl

Senator MURRAY. Bills are passed right along without the report from the Bureau of the Budget.

Senator JOHNSON. Yes; that is true; but you will be asked what the Bureau did about it.

The CHAIRMAN. They will certainly want to know what it is going to cost to carry out this program.

Mr. SCHIMMEL. That depends on whether the program will cut down the cost.

Senator GURNEY. It is quite hard to find out from the agency that is to administer this law what they think about it, because it is an entirely new agency that is being created.

Senator KILGORE. And the cost of administering it is going to depend inversely upon the success of the program.

The CHAIRMAN. There is one thing that worries me about this bill, and that is the point raised here by Senator Gurney in regard to the so-called discrimination between peacetime workers and soldiers. I was just reading from a paper that was gotten out here, a weekly paper called the "Capitol Gist Service," Mr. Pierson writing here. Mr. Pierson says:

> Whether or not the return of peace is going to usher in a period of discrimination and bitter group feelings and antagonisms and contentions that draw the lines between men and women, Negroes and whites, ex-servicemen and civilians, native-born and foreign-born, depends entirely on whether or not we let the situation get out of hand.

The quotation is from a gentleman by the name of John H. Pierson, Chief of the Post-War Division, Bureau of Labor Economics, United States Department of Labor.

Senator HILL. Let me ask the Senator from West Virginia if he has considered what the chairman has said.

Senator KILGORE. There is, of course, one amendment that could be made, to which I would not object at all, and that would be to put the worker on the same status as the soldier.

The CHAIRMAN. I think you would strengthen your bill considerably if you did it, because I think you are going to run into opposition on the Senate floor there by those who are going to comment on that phase of it.

Senator JOHNSON. Senator Kilgore, what would you say to an amendment in this bill that in no case shall any worker receive a greater payment than an enlisted man discharged from the armed forces?

Senator KILGORE. That is what I was suggesting. We do the same thing by putting a dependency clause in.

Senator JOHNSON. What you said was you are in favor of giving the worker the amount that the enlisted man got. I am putting it the other way, put a prohibition in there of any worker receiving a greater amount than an enlisted man.

Senator KILGORE. Senator Johnson did not understand me. My idea was an amendment that provided that nobody gets over $35, and instead of that, I say, provided no single person with no dependents receives more than $20, and with one dependent, $25, up to $35, just as we do with reference to enlisted men. Put that proviso in. The serviceman then always gets the maximum, whereas the civilian gets less than $20.

Senator HILL. No, sir; the G. I., the serviceman, gets $20.

Senator KILGORE. Regardless of dependents.

Senator HILL. Then he gets so much for each dependent.

Senator KILGORE. No; he gets so much extra for each dependent. You can put the same clause on the amendment that is put in here. You remember we handed out a flimsy sheet on that.

The CHAIRMAN. You mean the 75 percent?

Senator KILGORE. Yes.

Senator HILL. But shall not in any event exceed $35 a week?

Senator KILGORE. But shall not in any event exceed $20 for an individual who has no dependents, $25 if he has one dependent, $30 if

he has two dependents, and $35 if he has three or more dependents. It puts the serviceman in the last bracket, with no deductions. The exact wording is found on page 7 of the committee print.

The CHAIRMAN. Just read it to us so we can put it in here.

Senator KILGORE. After the word "exceed" in that amendment, that we put in there, in front of the $35, these words:

$20 for an individual if he has no dependents, $25 if he has one dependent, $30 if he has two dependents, and $35 if he has three or more dependents.

That should be $35 per week if he has three or more dependents.

Senator HILL. Wait a minute now. You better look out how you put the "per week" in there.

Senator KILGORE. We do not need the "per week." $35 if he has three or more dependents.

Senator GURNEY. What is the poor devil going to do if he has nine dependents?

Senator HILL. What is the poor soldier going to do if he has nine dependents?

Senator GURNEY. I did not say "soldier," I said "devil."

The CHAIRMAN. That puts the soldier right with the civilian worker.

Senator HILL. It puts the civilian in the highest brackets which you provide, and then it says that the civilian under no circumstances, shall exceed these brackets. In other words, a civilian may fall below these brackets, but he cannot go beyond it. It puts ceilings on the civilian.

Colonel SANDERS. The ceiling of the civilian is the floor of the serviceman.

Senator HILL. The ceiling of the civilian is the floor of the serviceman, that is right.

The CHAIRMAN. All right, what is next?

Senator JOHNSON. Senator Kilgore, I have the G. I. bill before me, and it reads:

The allowance per week shall be $20 less that part of the wages payable to him for such week which is in excess of $3.

Senator KILGORE. That means if he is a part-time employee.

Senator JOHNSON. I suppose that is right.

Senator KILGORE. If he is working and making $6 a week, they deduct $3 from that and pay him $17.

Senator JOHNSON. What about the part-time employee?

Senator KILGORE. There is no provision made for the part-time employee. The same rule there applies to railroad unemployment. Is not that correct, Mr. Latimer, that we have the same rule applying on the question of part-time employment in the railroad unemployment?

Mr. LATIMER. Yes; the benefit for part of the week would be one-fifth of the weekly benefit for each day of unemployment in excess of 2, the proceeds being on the basis of a 5-day week.

The CHAIRMAN. In other words, suppose a man was getting compensation, he was working 3 days a week, what would happen there?

Mr. LATIMER. He would get one-fifth, if he was unemployed 3 days.

The CHAIRMAN. Does he have to report that?

Mr. LATIMER. Oh, yes.

The CHAIRMAN. Suppose he doesn't?

Mr. LATIMER. There is always a possibility of fraud. We have the same problem in unemployment insurance now. There are stiff

penalties. Frauds are for the purpose of inducing benefits to be paid, but you have got to come in and register, you have got to make a sworn statement as to whether or not you have earnings, and periodically there is a check against earnings.

Senator KILGORE. There is one other amendment, Senator Austin—on page 22, line 16, strike the three words, "not less than," in front of "$20," to make it conform.

The CHAIRMAN. Anything else?

Senator JOHNSON. Are you ready now for a motion to report it out, Senator Kilgore?

Senator KILGORE. There is one other thing in here. I have not been able to find it, unless somebody else can, and that is the authorization for the Work Administrator to employ a staff. We have no authorization for anyone working for him.

Senator REVERCOMB. That would likely be covered, would it not?

Senator KILGORE. No.

Senator REVERCOMB. He is given blanket power to do anything he wants to.

Mr. LATIMER. Line 18, page 37.

Senator REVERCOMB. That is right [reading]:

The Work Administrator shall have and shall exercise all the powers necessary for the effective administration of this title.

That is on page 37, line 18.

The CHAIRMAN. Are you ready to vote on this, gentlemen?

Senator AUSTIN. I move, Senator, that we substitute for title III the text of the George bill, S. 2051, introduced August 1 and reported on August 3, 1944, entitled, "A bill to amend the Social Security Act, as amended."

The CHAIRMAN. Is there any question on that motion?

Senator GURNEY. I second it.

The CHAIRMAN. All in favor of Senator Austin's motion——

Senator AUSTIN. Let us have a roll call.

The CHAIRMAN. Senator Austin made a motion here.

Senator KILGORE. I could not hear the motion clearly.

Senator AUSTIN. It is just to substitute the George bill for this title III.

The CLERK. Senator Reynolds.

The CHAIRMAN. No.

The CLERK. Senator Thomas of Utah.

Senator KILGORE. By proxy—No.

The CLERK. Senator Johnson.

Senator JOHNSON. No.

The CLERK. Senator Hill.

Senator HILL. No.

The CLERK. Senator Downey.

Senator KILGORE. By proxy—No.

The CLERK. Senator Chandler.

Senator KILGORE. By proxy—No.

The CLERK. Senator Truman.

Senator KILGORE. By proxy—No.

The CLERK. Senator Wallgren.

Senator KILGORE. By proxy—No.

The CLERK. Senator Kilgore.

Senator KILGORE. No.

The CLERK. Senator Murray.
Senator MURRAY. No.
The CLERK. Senator O'Mahoney. [No response.]
The CLERK. Senator Austin.
Senator AUSTIN. Aye.
The CLERK. Senator Bridges.
Senator AUSTIN. By proxy—Aye.
The CLERK. Senator Gurney.
Senator GURNEY. Aye.
The CLERK. Senator Holman.
Senator AUSTIN. By proxy—Aye.
The CLERK. Senator Revercomb.
Senator REVERCOMB. Aye.
The CLERK. Senator Wilson.
Senator AUSTIN. By proxy—Aye.
The CLERK. Senator Thomas of Idaho.
Senator AUSTIN. By proxy—Aye.
The CLERK. Ten negatives and seven affirmatives.
The CHAIRMAN. The motion is not agreed to.
We are now on the bill, gentlemen.

Senator GURNEY. Mr. Chairman, I had in mind before the final vote was taken, and I do not know as it needs a motion—well, I will make it as a motion, that the bill be ordered to be printed this evening and when printed copies are made available, probably by tomorrow morning, that these printed copies be submitted to the various agencies which are interested in the operation of the bill, and also to the Bureau of the Budget for a report from them as soon as possible.

The CHAIRMAN. Well, there will be no objection on the part of the authorities to carrying out your suggestion.

Senator KILGORE. We got an agreement to report the bill as of Thursday of this week, so it would go on the calendar.

Senator GURNEY. I had no intention to stop reporting the bill.

Senator KILGORE. I thought you meant holding it up pending the reports.

The CHAIRMAN. No, no.

Senator GURNEY. If I thought I could get the 10 votes on this side, I would so make my motion.

The CHAIRMAN. There is no objection?

Senator KILGORE. I have no objection at all.

Senator HILL. Wait 1 minute now.

Senator GURNEY. This is just to have the bill printed.

Senator KILGORE. In fact, I would like to have a copy of the bill reprinted, myself.

Senator HILL. As I understand it, the motion is to have the bill sent to the different agencies.

Senator GURNEY. That is right.

Senator KILGORE. By the clerk of the Military Affairs Committee?

Senator GURNEY. That is right.

Senator HILL. Wait a minute. What are you going to say on the floor of the Senate if the clerk sends the bill down to the different agencies? What is the purpose of sending it down? Do you need the information before you act?

Senator GURNEY. No.

Senator REVERCOMB. We ought to have the information on the floor of the Senate, just as much as we can get.

Senator HILL. If you take the bill up next week you will not have all the information.

Senator REVERCOMB. I should think we can get it.

Senator HILL. I think it is very doubtful you will have that information.

Senator GURNEY. I had in mind the Bureau of the Budget might give us an estimate as to the total cost involved in the bill.

Senator KILGORE. May I submit an amendment to Senator Gurney's motion? Strike out everything except have the bill printed by tomorrow morning. I do not want to commit this committee, Mr. Chairman—I will give my reasons for that—by submission, and a whole lot of things of that kind. A copy will be available. If we put a motion like this through, we will commit the committee as a whole.

The CHAIRMAN. We will vote on your motion. You make the motion to have the bill printed tonight so it will be available tomorrow?

Senator KILGORE. I will make a motion to amend his motion, so the motion will read——

Senator GURNEY. I have no authority to stop your amendment.

Senator KILGORE. I did not hear the definite motion. Is your motion so worded?

Senator GURNEY. Yes; it is so worded.

Senator KILGORE. I move all parts of the motion except the portion of the motion pertaining to the printing of the bill immediately, so copies be available tomorrow, be depleted.

Mr. MURPHY. Does that mean printed as a committee print?

Senator KILGORE. As a committee print.

After a little discussion here, I withdraw my amendment.

The CHAIRMAN. On the other hand, the record is going to show here that we objected to this bill going to the departments for information.

Senator MURRAY. We set this bill for hearing and sent the previous draft to the various departments. They are quite familiar with what we want to do.

The CHAIRMAN. Did they report on it?

Senator MURRAY. They did not report on the compensation features of it, but they know what is in the bill and they know it is necessary to have this legislation, and made no objection to it. The Social Security Agency of course has reported on it.

Senator HILL. Now, you have got a written report from the Social Security Board, you have got a written report from General Hines, the Veterans' Administration, you heard from the War Department witness this morning, General Clay, speaking for the War Department, and you also have a report from the War Department in Secretary Patterson's letter, you have a letter from Secretary Patterson as the Acting Secretary of War, I take it. Then you have Mr. Latimer from the Railroad Retirement Board, who gave some testimony in person and who also made a written report. You have got a statement from Mr. Justice Byrnes, who was set up by Executive order as the War Mobilization Director. You have many other witnesses. I am not a member of the subcommittee, but the subcommittee had many other witnesses. We are not here without having consulted a good many of these agencies. I suppose you had

some representative from the War Production Board before the subcommittee. I am told that the subcommittee, which held hearings on the bill, had some 65 witnesses before it.

Senator KILGORE. That is correct.

Senator HILL. Did you hear that?

The CHAIRMAN. There is a motion before the House.

Senator GURNEY. My motion is before the chairman.

The CHAIRMAN. All in favor of the motion make it known by saying "Aye."

Senator AUSTIN. Wait just a minute. What is the motion?

The CHAIRMAN. All in favor of Senator Gurney's motion make it known by saying "Aye." All opposed, "No." The noes carry.

Senator GURNEY. As I take it, then, the committee has not ordered a printing of the bill after the conclusion of our deliberations here in perfecting a bill?

The CHAIRMAN. That is subject to a motion.

Senator HILL. Here is what will happen: Whomever the chairman designates to report this bill files his bill with his report right away, I take it, with the clerk of the Senate, and the bill will be printed with the report right away.

The CHAIRMAN. Let us vote on the bill.

Senator MURRAY. Before you vote on the bill I want to offer an amendment, to insert a new section on page 38, line 9. I want to propose a new section there, to be known as section 313 (a), which will read as follows——

The CHAIRMAN. Is that going to be in title III?

Senator MURRAY. Yes; the bottom of title III.

Senator JOHNSON. Between lines 8 and 9.

The CHAIRMAN. What do you want to insert there?

Senator MURRAY. It is very simple. I do not think you will have any objection to it.

Sec. 313 (a). The Secretary of Labor shall make a full study and investigation as to—

(1) the estent to which the adoption of annual wage systems would contribute to full employment and rising standards of living;

(2) the factors in favor of and against the adoption of various types of annual wage systems in various industries;

(3) present and past use of annual wage systems by particular industries or individual employers;

(4) other wage systems which might contribute to full employment and rising standards of living;

(5) possible means to be used by the Government through tax advantages or otherwise in promoting adoption of annual wage systems or other wage systems designed to bring about full employment and rising standards of living.

(b) The Secretary of Labor shall submit to the President, the Senate and the House of Representatives, within six months after the approval of this Act, and at such later dates as the Secretary may deem desirable, reports on the results of the studies called for in this section.

I will say that this matter was the subject of discussion in the hearings which we held, and is the recommendation of many representatives of labor and also economists and experts who testified before us, and some representatives of industry expressed the idea that such a policy should be adopted in this country, which would prevent these depressions to a large extent. We already have 36 or more corporations in this country that are on an annual wage system now.

Senator HILL. As I understand it, this provides for a study and recommendations to Congress only. It does not take any action except study, that is all, a study with the report.

Senator MURRAY. Yes. If it could be applied to the big basic corporations of the country it would avoid depressions.

Senator REVERCOMB. Does this mean they are going into these companies and examine and search the records, like we do under the Federal Power Commission?

Senator MURRAY. I do not think so. It is a scientific study of the problem. It just authorizes the Secretary of Labor to make a study.

Senator REVERCOMB. Does it give the Secretary authority to seize the books?

Senator HILL. No; just to make a study on these propositions.

Senator MURRAY. I move the adoption.

The CHAIRMAN. Is there any second to it?

Senator HILL. I second it.

The CHAIRMAN. All in favor make it know by saying "Aye." Those opposed, "No." It is adopted.

Senator REVERCOMB. Mr. Chairman, I now move that there be struck from the bill and deleted from it, on page 20 of the unnumbered Subcommittee Print No. 21 of August 3, 1944, subsections (a) and (b) of section 307, which empower the Work Administrator to provide to any person vocational education free and for the payment of monthly sums to such selected persons.

Senator HILL. Let us vote, Mr. Chairman.

The CHAIRMAN. Is there a second to that?

Senator AUSTIN. I second that motion.

The CHAIRMAN. All in favor of that motion will make it known by saying, "Aye." Those opposed, "No." The noes carry.

Senator GURNEY. Mr. Chairman.

The CHAIRMAN. Senator Gurney.

Senator GURNEY. There has been a lot of information and a lot of ideas given during the hearings here which would be most helpful to those who are not members of the committee, and I, therefore, hope that the record can be put into print at as early a date as is possible.

The CHAIRMAN. You mean the record we are taking in this discussion here?

Senator GURNEY. That is right, the whole record.

Senator KILGORE. I want to suggest an amendment on that section, Mr. Chairman. On line 20, page 20, insert these words:

For the purpose of this title persons receiving such training and allowances shall be considered as employed persons within the meaning of this Act.

Senator JOHNSON. Now, Mr. Chairman, I would like to ask a question on that point. Do I understand that when there are jobs available you are going to pay folks to go to school and not take those jobs?

Senator KILGORE. The purpose of that is to remove any question that anybody might be getting unemployment compensation from the State while they are going to school.

Senator JOHNSON. Isn't it contemplated that this schooling is to take place while there is unemployment?

Senator KILGORE. Yes.

Senator JOHNSON. Are you going to have a shortage of workers and send men to school at the same time?

Senator KILGORE. Well, you see, at the beginning it says whenever he deems it necessary, in order to give effect to this title, he shall do this. That means it will only apply to unemployed persons.

Senator JOHNSON. If that is the case, all right; otherwise I want to ask permission to call up Senator Revercomb's motion.

Senator KILGORE. No.

The CHAIRMAN. Let us put that in words so there will be no mistake about that. It comes right after "job", the word "job" on line 20?

Senator KILGORE. Yes; insert these words:

For the purpose of determining eligibility for unemployment interim placement benefits—

The CHAIRMAN. Wait a minute. "For the purpose of determining" what?

Senator KILGORE (continuing):

eligibility for interim placement benefits, persons receiving such training and allowances shall be considered as employed during the period of training.

Mr. LATIMER. What is the intent?

Senator KILGORE. The intent is to preclude them from obtaining unemployment compensation during the period of training.

Mr. LATIMER. The language gives rise to the possibility that they may qualify for unemployment benefits on the basis of what you pay them to go to school. I assume it would be better to just say they are to be entitled——

Senator HILL. Are not eligibilities for unemployment benefits the bases for these payments?

Mr. LATIMER. Yes.

The CHAIRMAN. "Persons in training"——

Senator KILGORE (reading):

persons undergoing such training shall not be entitled during such period for interim placement benefits.

The CHAIRMAN. All right. Is there any objection to that? If not, we will vote on the bill.

All those in favor of the bill, let it be known by saying "Aye."

Senator AUSTIN. Just a moment. I will ask for a roll call on that.

Senator MURRAY. Did you act on title IV?

The CHAIRMAN. Yes. Call the roll.

Senator MURRAY. You have got another title in here, the one on public housing and public works.

The CHAIRMAN. That is title IV.

Senator MURRAY. Yes, that is right.

Senator JOHNSON. What about it?

Senator MURRAY. We have not acted on it yet.

Senator AUSTIN. We have not acted on any of them.

Senator MURRAY. All right.

The CHAIRMAN. Call the roll.

Senator KILGORE. Wait just a second. Mr. Chairman, inasmuch as this increases the allowances made under the G. I. bill of rights, I will make a parliamentary inquiry. Is it necessary to repeal the payments in the bill, or does it supersede the payments?

Senator HILL. Mr. Murphy, what would you say?

Mr. MURPHY. Unless there is something here to prevent it.

Senator HILL. It would just supersede it, would it not?

Mr. MURPHY. I am inclined to think a man might get both benefits.

Senator HILL. You have got to examine it from that standpoint.

Mr. MURPHY. I am not familiar with it.

Mr. LATIMER. The G. I. bill of rights specifically prohibits that. It would not be duplicate payment, since the G. I. bill of rights itself provides specific provisions against the payment of readjustment allowances to any person receiving payment under the State unemployment compensation laws, the Federal unemployment compensation law.

Senator HILL. The bill carries that provision in it.

The CHAIRMAN. Yes. Call the roll.

The CLERK. Senator Reynolds.

The CHAIRMAN. Aye.

The CLERK. Senator Thomas of Utah.

Senator KILGORE. By proxy—Aye.

The CLERK. Senator Johnson.

Senator JOHNSON. Aye.

The CLERK. Senator Hill.

Senator HILL. Aye.

The CLERK. Senator Downey.

Senator KILGORE. By proxy—Aye.

The CLERK. Senator Chandler.

Senator KILGORE. By proxy—Aye.

The CLERK. Senator Truman.

Senator KILGORE. By proxy—Aye.

The CLERK. Senator Wallgren.

Senator KILGORE. By proxy—Aye.

The CLERK. Senator Kilgore.

Senator KILGORE. Aye.

The CLERK. Senator Murray.

Senator MURRAY. Aye.

The CLERK. Senator O'Mahoney. (No response.)

The CLERK. Senator Austin.

Senator AUSTIN. No.

The CLERK. Senator Bridges.

Senator AUSTIN. By proxy—No.

The CLERK. Senator Gurney.

Senator GURNEY. No.

The CLERK. Senator Holman.

Senator AUSTIN. By proxy—No.

The CLERK. Senator Revercomb.

Senator REVERCOMB. No.

The CLERK. Senator Wilson.

Senator AUSTIN. By proxy—No.

The CLERK. Senator Thomas of Idaho.

Senator AUSTIN. By proxy—No.

The CLERK. The same vote, 10 for and 7 against.

The CHAIRMAN. The Chair will appoint Senator Murray and Senator Kilgore to report the bill.

That is all. Thank you, gentlemen, for your cooperation.

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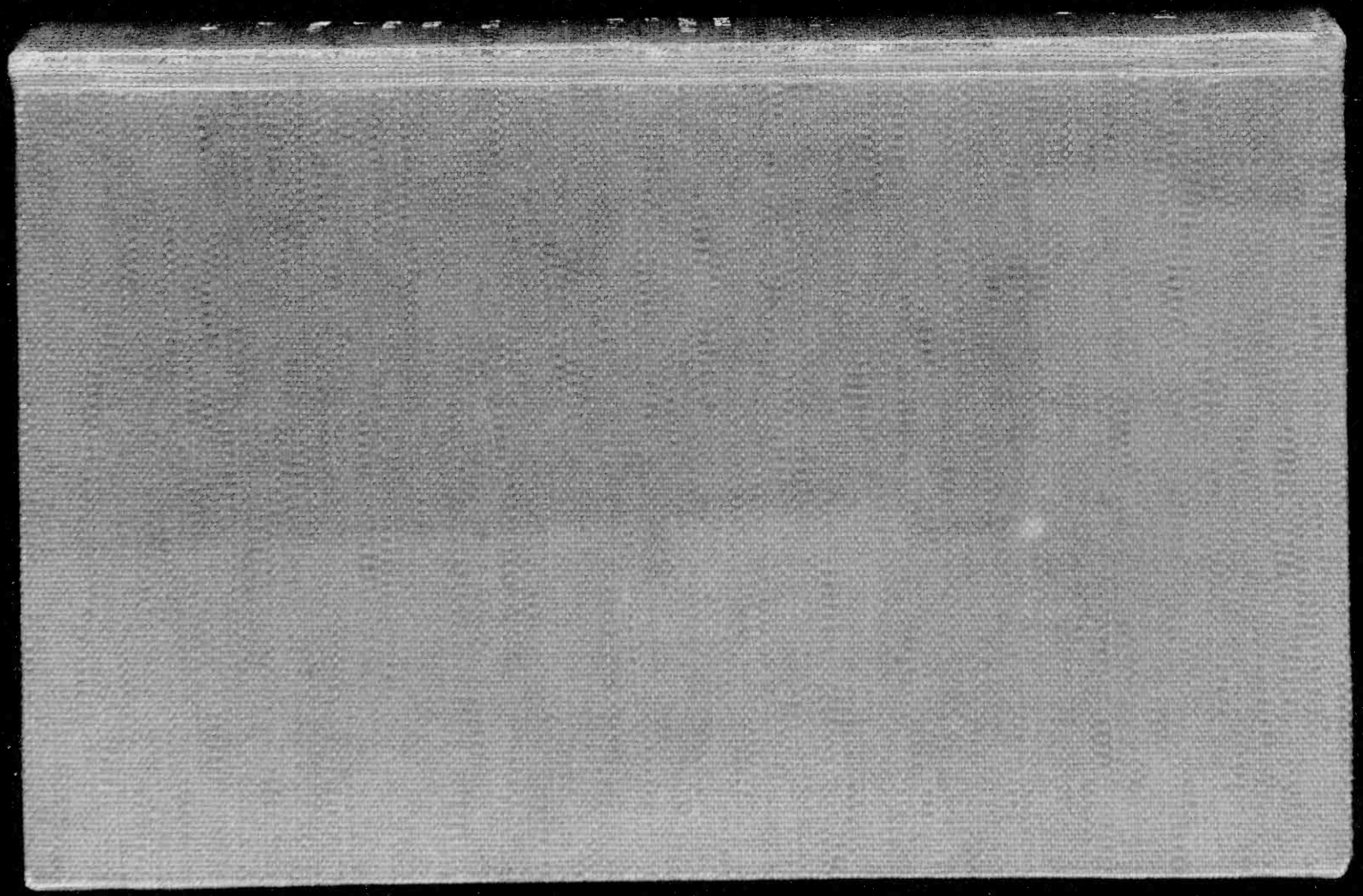

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination," and in Parts 1 to 10 entitled "Mobilization and Demobilization Problems")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1478, S. 1609, S. 1680, S. 1775, S. 1794, S. 1803, S. 1815, S. 2045

(and Amendment to S. 2045 of August 3, 1944)

PART 11

UTILIZATION AND DISPOSITION OF SURPLUS WAR PROPERTY

AUGUST 7, 1944

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

MONDAY, AUGUST 7, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to notice, at 10:30 a. m. in room 357, Senate Office Building, Senator James E. Murray (chairman) presiding.

Present: Senators Murray, Stewart, Revercomb, and Taft.

Also present: Bertram M. Gross, and Sigmund Timberg.

Senator MURRAY. The hearing will please come to order. We will hear further testimony on the problem of surplus property disposal. The first witness this morning is our distinguished colleague, Senator Johnson of Colorado.

Senator Johnson.

STATEMENT OF HON. EDWIN C. JOHNSON, UNITED STATES SENATOR FROM THE STATE OF COLORADO

Senator JOHNSON. Mr. Chairman, as you know, I have been giving the matter of surplus property considerable study for many months. I have worked out several bills on the subject, and I have the latest version of a bill that I want to discuss with you this morning. It is an amendment in the form of a substitute to Senate bill 2045.

I know also that there are many other bills on the subject, and well there might be, because there is no portion of the reconversion problem, in my opinion, of more importance than the surplus property phase of reconversion. What is to be done with the surplus property will either make or break reconversion.

The bill which I have prepared and which I wish to discuss this morning is a bold bill, it is a straight-from-the-shoulder bill. It hits the problem at its very heart and it does not deal with it in any easy manner, but it is a bold question that must be handled, and the only way you can handle it is with a bold, decisive, definite bill. Already you have many groups who are trying to get some personal advantage out of the solution that we make of surplus property. My bill gives no advantage to any group. It helps small business, it helps big business, it helps America in reaching a sound reconversion basis.

I do not know how to proceed to describe my bill except by going through the text which I have before me, and I do not know whether that would be the pleasure of the committee or not.

Senator MURRAY. That is satisfactory to the subcommittee.

Senator JOHNSON. As I go through the bill, I would be very glad to be interrupted with any questions that might occur to any member of the subcommittee, or ot others interested in the bill.

The first section deals with the objectives of the bill. There isn't very much new in those objectives. Those objectives have appeared in many of the bills on this subject, but I will read them:

(a) To assure the most effective use of such property for the purpose of war and national defense, by creating a stock pile therefrom.
(b) To facilitate the transition of enterprises from wartime to peacetime production and of individuals from wartime to peacetime employment.
(c) To promote production, employment of labor, and utilization of the productive capacity, and the natural and agricultural resources of the country.
(d) To avoid dislocations of the domestic economy and of international economic relations.
(e) To discourage monopolistic practices, preserve and strengthen the competitive position of small business, and promote fair prices to consumers.
(f) To retain control in Congress of the distribution of surplus property.

I want to emphasize (f), if you please, Mr. Chairman. Many of these other bills are a complete delegation by the Congress of surplus property to an administrator or some other agency that is to carry out the surplus property program, but under my bill control is retained in Congress, where it should be retained.

(g) To realize the highest obtainable return for the Government consistent with the maintenance and encouragement of a healthy competitive economy.

Senator STEWART. Do you object to interrogations?

Senator JOHNSON. I would be very glad to answer any questions as they occur to members of the subcommittee and others.

Senator STEWART. You emphasize the congressional retention of control. Do you know of any other plan that is being sponsored for any other control group or board?

Senator JOHNSON. Yes; the so-called Clayton bill that Mr. Clayton, the present Administrator of Surplus Property, brought before the Senate committee, the George committee. I was there and listened to the testimony, and in that bill Congress delegates all of its power over surplus property to the Administrator.

Senator STEWART. Is that the same as the Colmar bill that was introduced in the House of Representatives?

Senator JOHNSON. I am not sure. I think it is very similar to the Colmar bill, but if you go through that bill carefully you will find that Congress has delegated its power and authority over surplus property to an administrator almost fully and completely, and my bill does not do that at all.

Senator REVERCOMB. Senator Johnson.

Senator JOHNSON. Senator Revercomb.

Senator REVERCOMB. On the subject of where the control and management may be, may I also suggest to you that the bill that is in the committee dealing with surplus stock piles of metals also put it in the control of a Government corporation. Isn't that correct?

Senator JOHNSON. That may be. That is an outside matter.

I do not believe in Congress delegating its powers over surplus property, or over stock piles, or over anything else to anyone to act independently.

Senator REVERCOMB. I simply mention it to you, because I know you are familiar with that.

Senator JOHNSON. The Senator and I had many hot debates over that question.

Senator STEWART. Have you given much thought to the disposition of the surplus property that might be overseas when the war ends?

Senator JOHNSON. Yes; I have given considerable thought to it, considerable study to it, but the Senator will notice, as the conditions and provisions of my bill are revealed, the matter of the disposition of surplus property in foreign countries is pretty much left alone, with the exception of a few classes of surplus property. They are left alone for this reason, that international trade and what we do beyond our own borders is not only a diplomatic problem but it is a problem for which the Congress and the Administration have already set up agencies. It is a problem which is complicated, deeply complicated. I thought it would be better in this particular bill to not deal specifically with the disposition of surplus property in any other country except our own.

Senator REVERCOMB. Senator Johnson, would you apply the same principle to the metal stock pile bill?

Senator JOHNSON. The Senator keeps going back to the metal stock pile bill. There is no act of Congress on that subject. As the Senator knows, the subcommittee considering that bill had a great deal of difficulty. I do not know whether that bill died on the vine or what became of it, but I haven't heard anything about it for several months.

Senator REVERCOMB. It is very much alive.

Senator JOHNSON. I hope it is, because it deals with a very important subject. But that bill will have to stand on its own, and I would prefer not to discuss its terms at the present time, only as we deal with it in this bill.

Senator REVERCOMB. I mentioned that, Senator Johnson, because the Senator is now talking on the very line of thought that was advanced by me when we discussed the particular bill that I referred to.

Senator JOHNSON. It may be that the Senator from West Virginia convinced me, I don't know. Perhaps the arguments I have had with him have had a good effect on me.

Senator REVERCOMB. It has always been pleasant.

Senator MURRAY. I might say, gentlemen, we only have an hour and 10 minutes to hear Senator Johnson. I think we should let him go through his bill first, and then if we have any time left over afterward we could go into the dicussions of the policies.

Senator JOHNSON. I thank the chairman. I will hurry along as fast as I can. The questions are always enlightening and they are very helpful even to an author of the bill.

Senator STEWART. Is that statement made in the nature of an admission?

Senator JOHNSON. That is in the nature of a confession, sir.

I am going to skip section 2, because it refers to definitions. Perhaps I should read (c) of these definitions, because there are some very important implications in (c).

(c) The term "property" means any interest in property, real or personal, owned by the United States or any Government agency, including, but not limited to, plants, facilities, equipment, machinery, accessories, parts, assemblies, products, commodities, materials, and supplies of all kinds, whether new or used, and wherever located; but shall not include grains and food products held by the Department of Agriculture or any of its agencies, the War Food Administration, or the Commodity Credit Corporation.

(d) The term "durable property" means every kind of property, except real property, which is not subject to rapid deterioration from natural causes, and shall include unmanufactured wool and unmanufactured cotton.

(e) The term "perishable property" means every kind of property which is subject to rapid deterioration from natural causes.

(f) The term "surplus property" means any property which has been determined to be surplus to the needs and responsibilities of the owning agency in accordance with section 6 of this Act, and all unmanufactured wool and unmanufactured cotton held by any Government agency, including the Department of Agriculture or any of its agencies, the Commodity Credit Corporation, or the Reconstruction Finance Corporation or any subsidiary thereof.

(g) The term "common supplies"—

that is a new term as far as these bills are concerned—

means small tools and hardware and nonassembled articles which may be used in the manufacture of more than one type of product.

Now, we go to section 3. We set up a Surplus Property Administrator and Deputy Property Administrator. A great many people who have been studying this subject have advocated that a commission rather than an administrator handle surplus property, but after a careful study we have set up in this bill the Administrator, a single head. Since so much of the power and control over surplus property under my bill has been retained by Congress, it was felt that a commission would hardly be advisable and that Congress could deal better with an Administrator. I have also worked on the theory that one man is more effective than three, and three more effective than five, and five more effective than seven. So, this bill provides for an Administrator and a Deputy Administrator.

In (c), "Subject to the general supervision of the Director of War Mobilization and Adjustment," you will notice that the bill is set up under the plan that Congress has already approved, or at least this committee has already approved, of establishing a Director of War Moblization and Adjustment to head all of the reconversion plans, so we have dovetailed this particular phase into that situation and placed the supervisor or the Administrator of Surplus Property under the Director of War Mobilization and Adjustment.

Section 4, page 6, creates a Surplus Property Board with which the Administrator shall advise and consult. There is nothing new in that particular section, it is common to many of the other bills which are before this committee and before Congress. This Board is advisory only and is set up to be helpful to the Administrator in working out the problems of surplus property.

Section 5 deals with reports to Congress and speaks for itself.

Section 6. "Declaration of surplus property."

(a) Each owning agency shall have the duty and responsibility continuously to survey the property in its control and to determine which of such property is surplus to its needs and responsibilities.

(b) Each owning agency shall promptly report to the Administrator all surplus property in its control.

TRANSFERS TO MILITARY AGENCIES

SEC. 7. (a) Each military agency shall make the fullest practicable use of surplus property in order to avoid unnecessary commercial purchases.

In other words, if the Army has something that the Navy needs it should go to the Navy, and the armed forces should have easy access to the surpluses occurring in other branches of the armed forces. The Administrator is given authority in (b) to make such transfers.

Senator REVERCOMB. Mr. Chairman, may I ask this question?

Senator Johnson, the second sentence of subsection (a), section 7, says:

The Administrator shall establish procedures to facilitate the acquisition by each military agency of surplus property of other Government agencies.

The military agencies today really are the only agencies with any considerable quantity of surplus property; isn't that correct?

Senator JOHNSON. I do not think that that is entirely true. Of course, if Lend-Lease is a military agency that is true. I am speaking of the armed forces, the Army and Navy, Coast Guard, and so on, but of course there are other agencies interested in the war effort, in helping to prosecute the war effort, that do have surplus property, and this was meant to cover such property.

Section 8, "Transfer outside continental United States."

This answers one of the questions that was asked a moment ago as to what we do outside the continental United States.

(a) The Foreign Economic Administration and other governmental agencies authorized pursuant to Act of Congress to dispose of perishable or durable property abroad, and the American Red Cross, shall have the right to acquire any surplus perishable or durable property in the United States for sale or transfer abroad in such quantities as the Administrator and the above agencies shall agree upon.

(b) Surplus property sold for export or transferred abroad pursuant to the provisions of this Act shall not be entitled to entry at any of the ports of the United States, and the importation thereof is hereby prohibited, and the Secretary of the Treasury is authorized and directed to prescribe such regulations as may be necessary for the enforcement of this subsection.

That, of course, speaks for itself. If these goods are transferred to a foreign country they cannot immediately be returned, shipped back into the United States.

Section 9, "Disposition of common supplies." You recall our definition on "common supplies" over here on page 4:

The term "common supplies" means small tools and hardware and nonassembled articles which may be used in the manufacture of more than one type of product.

Now, then, the disposition of common supplies:

Until the termination of the present war and six months thereafter, in order to relieve market shortages and expedite the war effort, any common supplies declared surplus by any owning agency shall be sold by the Administrator through the regular trade channels at not less than 75 per centum of replacement cost.

Common supplies would include nails and small tools, screws, and such hardware as that. Since there is a shortage of such goods on the market today, it was thought that such goods ought to be made available to our civilian population, and so the Administrator is given until 6 months after the war is over to dispose of such goods to civilians, but after that 6 months' period is up then all such supplies must go under padlock with the other durable goods.

Section 10, "Disposition of surplus perishable property."

Surplus perishable property for which commitments have not been made shall be made available for use by the military and naval forces or if not needed for such purpose may be turned over to and used by the American Red Cross and similar public relief agencies or be otherwise disposed of as the Administrator may deem advisable.

Now, we have given the Administrator almost blanket power over the disposition of perishable property. There is a good reason for that. At the end of the war there will probably be a great shortage of

perishable property, when shipping facilities are open to Europe where we have hundreds of thousands and millions, perhaps, of children, women and men starving to death, so it was not thought best to lay down any very strict rule in the disposition of perishable property. It is my opinion that perishable property will not be a problem, so far as surpluses are concerned, but it will be a problem so far as shortages are concerned, and so the Administrator has been given wide powers in the disposition of such property.

Now, we come to "Limitations on disposition of surplus durable property." This is the heart nd soul of this bill, section 11, page 9, and I hope the committee will give very serious consideration to each one of its provisions.

Senator MURRAY. It is the most important provision in the bill and will require very careful study.

Senator JOHNSON. That is correct, sir.

Senator MURRAY. The committee has held a number of hearings on this subject, and we have the testimony of a number of witnesses dealing with the subject. I would like to inquire if you have discussed this feature of the bill with the Attorney General, Francis Biddle?

Senator JOHNSON. No, I have not; I have not discussed it with the Attorney General.

Senator MURRAY. I would like to call your attention to a statement which he made at one of the hearings on the subject of surplus property. He said on April 18, before the War Contracts Subcommittee, and I quote:

> In the case of much of the surplus personal property the Government now has on hand, particularly termination inventory, the essential thing is to dispose of it quickly while it can be used either for war production or for civilian use. The adoption of a proposal to freeze sales of property may lead to serious difficulties. A market for some of the property exists now but may not exist later. If property is frozen for a long period, it may be difficult at the end of the period to dispose of it on terms that will bring the Government any substantial return. Furthermore, the longer the property is held the more difficult it may be to get it into productive use in private hands. Prohibition against sale may play into the hands of those who wish to withhold property from the market or to destroy it in order to protect vested interests. If we wish to encourage new enterprise and the maximum private use of these Government plants, particularly in newly industrialized areas in the West, South, and Southwest, it may be necessary for us to move promptly. If the Government is required to sell only through artificially fixed trade channels, both the Government and the public will suffer. I am certain that those who drafted these proposals did not intend these results.

There are a number of other witnesses, a long list of them, who testified along these lines, advocating the idea of a prompt disposal of surplus property in order to prevent it from piling up in the country and being a menace to our economy.

Senator JOHNSON. Well, with all due respect to the Attorney General and others who hold with him, I have the opposite view. I do not believe industry can get under way. My understanding is that we want industry to get under way immediately. The President at one time said something about "fear is the greatest thing to be feared"—or something to that effect. If industry is going to be faced with a deluge of surplus property they are not going to get under way promptly, they are going to wait, wait, and wait, and every hour, every day, every week, every month, and every year that they wait is going to prove disastrous to the economy of this country. That is the theory upon which I proceeded to padlock surplus goods.

With all due respect to him for wanting to move the surplus out as quickly as possible and distribute it as quickly as possible—he does not say so, but I presume that would call for 10 cents on the dollar sales. It would move into the hands of speculators and it would hang as a burden upon the economy of this country for a good long time. Now, he does not say so, but any effort to move promptly this great mountain of surplus goods is going to result in speculators grabbing it, holding it. Now, they may hold it for 10 years. I know of goods that have been held from the last war by speculators until the present war, when they cashed in at a tremendous profit. Simply because the Government unloads, turns loose its surplus property, is no assurance whatever that the surplus property is going to be immediately used up. It may very well result in hanging over the market.

Senator MURRAY. I agree with the Senator that it requires a very careful study. It seems to me it is the most important provision in your proposed legislation and should be studied very carefully.

Senator JOHNSON. And this section is a departure from few, if any, other bills on this subject.

Senator TAFT. May I ask a question?

Senator JOHNSON. Yes.

Senator TAFT. One thing that troubles me about the provision is it might apply to some kind of goods and not to others. For instance, "durable property" seems to define everything that is not subject to rapid deterioration from natural causes. For instance, if you are going to get rid of the jeeps you do not want them to stand around for 5 years, by which time they might be completely obsolete While the rule might apply to some things, like iron ore, it seems to me there are so many things included in your definition of "durable property" which obviously ought to be disposed of as quickly as possible that there ought to be some line of distinction. Isn't there some line of distinction?

Senator JOHNSON. Yes; there are lines of distinction, and in the different paragraphs we treat with classes of durable property on a different basis, but the whole theory of section 11 is to give industry an opportunity to immediately get into production and commence hiring men.

This subcommittee and the Senate Military Affairs Committee reported out a bill Friday providing for generous payments to the unemployed. How much that bill will cost will depend entirely upon whether we will put them to work or whether they have to stand around idly for a period of 2 years. If they can go right back to work, if industry can take hold and start right in without having the burden or surplus property hanging over them like a sword, they will go to work and the cost to the Treasury will be reduced to the minimum. If, on the other hand, industry is afraid to start, industry is afraid to do anything, you are going to find that unemployment will get started, and I am afraid that you will have that whole spiral of unemployment taking us right downward to a depression. The object of section 11 is to give industry, all industry, a free hand to start right in tomorrow, if the war ends tomorrow, without fear, without fear of a mountain of surplus property over their heads.

Senator MURRAY. Senator, would this property be disposed of after the 5-year period?

Senator JOHNSON. That would be entirely up to Congress.

What they would want to do with it, I do not know. A moratorium of 5 years seems advisable. If we take into consideration the cost of unemployment, the costs of a demoralized industry—and it will be demoralized if there are any uncertainties—industry is not going to take hold if you have uncertainties hanging over it, and if, we have, you might say, $50,000,000,000 worth of surplus property that $50,000,000,000 worth of surplus property might very well cost the Nation, in unemployment and slow action on the part of industry to take hold, $200,000,000,000. I do not know what the cost would be.

Senator MURRAY. Would not this vast store of surplus property, which would be piled up and held under Government control for 5 years after the war, be a serious menace to the industry? Would not it be a continuing threat to industry that at the end of the 5-year period this material is going to be dumped on the market; would not that be so alarming to industry as to slow them up, slow industry up?

Senator JOHNSON. No, I do not think so. I think if any industry has a 5-year moratorium they will get under way now. What we are going to do 5 years from now, I refuse to worry about. It will be a matter for Congress to deal with. I have just as much faith in the Congress of 5 years from now as I do in the Congress of today in being able to meet its problems. I do not think it is up to this Congress to worry too much about what the Congress will do 5 years from now, provided the Congress has that power and authority.

Senator MURRAY. I was going to suggest also that spokesmen for business appeared before the committee and, among others, John Fennelly, executive director, Committee for Economic Development, testified as follows, and I quote:

I think that in the disposal of surplus goods the main objective must be to get them disposed of, to get them into circulation. I am also convinced, from a business standpoint, that in the long run those goods being put into circulation where they will do good will be the greatest benefit to business. Some people are going to have to suffer in that process, and I am not advocating a general dumping procedure, but I am very much concerned over the tendency toward holding off and setting aside the freeing of inventories that can be used. With regard to the plants and also with regard to equipment, we want to get those into operation under private management. If they cannot be sold, they ought to be leased, in my opinion, and if they cannot be sold as a whole they ought to be broken down into units. There is machinery and equipment and buildings, and we want them used.

That is the testimony of a spokesman for business.

Senator JOHNSON. I realize that there is that viewpoint, but I think this Congress is going to have to take its choice between the two viewpoints, whether they are going to give industry an opportunity to get under way and get under way quickly—and I want to emphasize that word "quickly" over and over again, because unless they do get under way quickly the cost is going to be almost impossible for the Federal Treasury to meet. We have got to get industry going, and going just as rapidly as possible.

Now, to go on with section 11:

Except as otherwise provided in this Act or hereafter provided by law, the following principles shall govern in the disposition of durable property:

(a) Durable property shall not be disposed of until the expiration of five years after the termination of the present war, except that (1) until the expiration of six months after the termination of the present war aircraft suitable for personal use may be disposed of in such manner as the Administrator may deem advisable—

That is the personally operated individual plane. The aircraft industry is of the opinion that every such aircraft that is sold to the private owner and used by him means many, many more planes that will be purchased by the civilians. That partially answers the question that Senator Taft asked a moment ago. Those individual planes, those trainer planes, those little planes that can be used for personal use, individual use, should be disposed of, gotten rid of.

Senator MURRAY. I think that is very proper, but would not that apply also to some other industries where the same procedure could be followed?

Senator JOHNSON. Well, it might possibly apply to jeeps, I don't know. Nearly everybody I talked with is hoping that some day they can buy a jeep for $100. Every farmer wants one. He thinks he is going to be able to buy one for $100. If he has ridden very much in a jeep, I do not think he would be quite enthusiastic about it. There is this to be said about a jeep: If that type of vehicle is needed, if there is a demand for that type of vehicle, why not let the automotive industry go ahead and make them and sell them? This thing of getting them for a song of course is very attractive. It would make a nice plaything, I suppose, and perhaps that one article is not important in this whole economic picture.

Now, No. (2) of section 11 (a):

until the expiration of six months after the termination of the present war, aircraft suitable for transport use may be leased to United States citizens or corporations organized under the laws of the United States or any State or Territory or the District of Columbia for periods expiring not later than twelve months after the termination of the present war.

Those are your cargo planes and planes that might be used for transport. Under this bill such planes would be leased to the carriers. They would not buy them outright, they would lease them for 1 year, and by that time it is felt that the aircraft industry would get under way and be able to supply the carriers with such transport planes as they might need.

Senator MURRAY. Would not that same principle apply to merchant ships?

Senator JOHNSON. Well, we will go to ships in just a minute. It seems to me that aircraft ought not to be sold, and there is no provision in this bill for the sale.

(b) No aircraft useful only for military purposes shall be disposed of except as specifically authorized by Act of Congress.

We have heard reports, probably there is nothing to them, they may be just in the form of rumors, but there are rumors that keep coming up day after day, and that is that the United States is going to set certain nations up in aircraft, that we are going to supply certain nations with aircraft. Well, I am not quarreling with that; maybe that is what we should do. If we are going to work out a peaceful, harmonious world, maybe it will be necessary for us to do that, but if it is necessary, then the body that should determine that question is the Congress itself. These other bills that your committee has before it, all of them, so far as I am able to find out, turn over all such property to the Administrator and Congress delegates all its power and all of its authority over these planes and the Administrator can sell them where he will, or give them away, or whatever he wants to do with them. As I say, it may be a fine thing to set some of our competitive nations up in cargo planes, but if it is, let the Congress specifically legislate on that subject, let it bring forth a bill on that

subject and not turn it over to some Administrator that you pay $12,000 a year and give him full power and full authority to dispose of such ships as he would dispose of.

The same thing applies in paragraph (c):

No cargo, passenger, war, or other vessels shall be disposed of except as specifically authorized by Act of Congress.

We hear reports that the United States Government is going to give certain nations a merchant marine. Maybe we should do that, I don't know. So far as I know there is no evidence before the Congress indicating that this Nation should give to anybody a merchant marine. It may be advisable to do so. If it is, let there be a specific act of Congress on that subject and let us not, under the guise of passing a surplus property bill here, overlook that important question. That is what most of the bills before this committee and before this Congress do right today, they overlook that. The Administrator is given wide powers, and if the Army, the Navy, the Marines, or anybody else declares that certain ships are surplus, so far as I can see in reading the bills—and I do not claim to be an expert—but as I read the bills, the Administrator is given absolute and full authority, and is authorized to dispose of the ships to other nations or to other people. I do not think that should be done, so I have placed a prohibition in section 11 on that point.

(d) Property suitable for and to be used in vocational training may be transferred to tax-supported institutions in such manner and to such extent as the Administrator deems advisable.

That speaks for itself. We have a great many vocational schools that want tools and want airplane wings and other parts of mechanical devices for instruction in the schools, and I think that the Congress should make them available to such schools.

(e) Durable property, not classed as obsolete or scrap, shall not be destroyed or changed from its existing form so as to make it unavailable for useful purposes, but durable property so classed as obsolete or scrap shall be placed in a permanent stock pile of war material for purposes of national defense, which the Administrator shall create and maintain; and materials in such stock pile shall be disposed of as the Congress may by law provide.

That touches on the question that you mentioned a moment ago, Senator Revercomb.

Senator REVERCOMB. Senator Johnson, how far, in your view, would you carry the principle of stock piling or preventing surplus materials from going on the current market?

Would materials that are abroad that we have sent in the form of trucks and in the form of metals such as in tanks and big guns—would you bring those back to this country from the foreign field?

Senator JOHNSON. No; the theory of this bill is to place no hindrance, no handicaps whatsoever, on the disposition of such goods any place except in the continental United States.

Senator REVERCOMB. Would your bill block or would it hinder bringing back to this country the vast amount of materials, the vast amount of metal supplies that we have sent as armament to Europe and the South Pacific?

Senator JOHNSON. No, sir; but if they did come back they would go into one or two classes. If they were obsolete they would go into a permanent stock pile, permanent junk stock pile.

Senator REVERCOMB. There is no purpose then on the part of this bill to prevent the return or bringing back into this country of this material?

Senator JOHNSON. No, sir; none whatever. The only thing that this bill does is to prevent it from going on the markets of the United States. If it is a serviceable piece of machinery or equipment of any kind it goes over here in a stock pile with a padlock on there for 5 years. If it is obsolete and junk material, it goes over here into a permanent stock pile of junk.

Senator STEWART. What would you try to do with it after 5 years?

Senator JOHNSON. That is up to the Congress, as to what the Congress may want to do with it in 5 years' time. I do not know what the Congress may want to do with it. What I want to do is to give industry a chance to begin, to get started, to do something.

Senator MURRAY. Would not it be better to order the destruction of the material and make scrap out of it and get rid of it at one fell blow rather than holding it as a menace to industry for a 5-year period?

Senator JOHNSON. I would not say that. We may be in another war in 4 or 5 years, for all I know. I hope not.

Senator MURRAY. We would have new machinery, new implements of war, and we would have this as a stock pile of scrap on which to start to work.

Senator JOHNSON. Yes; and I would be very favorable to a liberal designation of what is scrap and put everything in the scrap pile that does not have some very definite use, but there is nothing in this bill, Senator Murray, that keeps the Administrator from disposing of these materials abroad. Now, the one purpose of the bill is to let American industry get started. That is the objective, that is the thing we have before us, that is the whole theory of this bill.

I don't know what foreign nations are going to require. The Associated Press is carrying a story this morning, which just came to my notice a few moments ago, that Great Britain wants lend-lease for 2 years after the war, because they say they are going to be in a terrible condition. Well, Great Britain, as far as I know, is in a much better condition than most other nations, but if Great Britain is going to need lend-lease, maybe all the rest of the nations are going to need lend-lease. I don't know what their needs are going to be; I don't think anybody in Congress knows. We have agencies that are working out the diplomatic case, working out the peace terms, they will be working them out we hope very shortly, and what they may want to do with foreign nations is something entirely separate to what I am trying to do, and that is to protect American industry in the continental United States and give them a chance to go ahead without any fear. Their fears may be unfounded. That is what I am afraid of. I am afraid maybe they will hesitate because there is an unfounded fear, but whether they hesitate because of an unfounded fear or a well-founded fear will not make any difference if they hesitate, and I want to keep them from hesitating.

Senator STEWART. Does your bill give authority to the Administrator to sell the durable goods that you speak of as going in the stock pile in foreign countries?

Senator JOHNSON. Yes; he can sell in foreign countries through the agencies.

Senator STEWART. You mean through the State Department and various other governmental agencies?

Senator JOHNSON. That is right. He has to work out the plans with them. That is the only restriction placed on him.

Senator STEWART. Is it in his discretion as to whether the material should be sold in the foreign country.

Senator JOHNSON. Well, it is a matter of cooperation between the Administrator and agencies that are set up to handle our economic problems abroad.

Senator STEWART. There, it seems, you would lose congressional control, as far as the Administrator is concerned, to begin with.

Senator JOHNSON. Yes; that may very well be, that I did not set up guards enough, but I did not think it was necessary. I felt it would be a good thing, perhaps, if he was able to dispose of these goods abroad.

Senator STEWART. Might it not have some serious effect on American industry which would want to sell to our prospective future customers?

Senator JOHNSON. Well, of course, our American industry is looking for foreign markets. They think we are going to have some very important foreign markets, and I think we do have some important foreign markets, but the important market for all American industry is right here in the United States, more than 90 percent of it. Much less than 10 percent of it is foreign trade. Many industries sell very, very little abroad. Most of their goods are sold right here in the United States.

This bill is not meant to restore the whole world, it does not take in that much territory. It is meant to get industry started in the continental United States. That is the objective.

Senator REVERCOMB. Senator Johnson, when you say it might be well to sell these materials and these metals now located in foreign countries because of movement there in the war, are not we overlooking a very serious situation that this country faces in the depletion of its metal resources? This bill is doing an important thing, and that is spurring on work today, but are not you overlooking the long-time pull of getting back to this country all metals that we have sent out of it and preserving for this country for future years as much metal as we can? We have exhausted it very severely in this war. If this bill goes into effect and you sell the metals abroad, dispose of them abroad, are not you injuring this country quite basically in depriving it of a great supply of its metals?

Senator JOHNSON. This bill does not require that they be sold abroad.

Senator REVERCOMB. Doesn't it encourage it?

Senator JOHNSON. Yes, I would say it does encourage it; it does encourage foreign sales by placing no hazards nor no impediments in the way of foreign sales, but, Senator, as I told you a moment ago, the Associated Press is carrying a story, and probably the other press agencies also, that Great Britain is asking for lend-lease a couple of years after the war. That is only the beginning. I understand that Russia is going to be badly in need of trucks and transportation facilities of all kinds, and that they will be very, very anxious to get hold of any transportation equipment that we have sent abroad.

Senator REVERCOMB. Is that lend-lease to be a gift or is it really to be a lease and will they pay for the goods they get?

Senator JOHNSON. I do not know as to that, but according to the Associated Press story that I read I would surmise that it is to be a gift, because they said they do not want it on the basis of a loan, they wanted lend-lease. They seemed to like lend-lease, and I think they wanted it continued on the same basis that it has been operated during the war. But that is another question. I join the Senator from West Virginia in fearing that our metal supplies and our metal resources may be more or less depleted. If that is the thought of Congress, it will not be difficult for Congress to speak on that subject.

The Senator says that the scrap metals bill is very much alive. That is the place to bring back these metals, if it is good to bring them back. This bill does not go into that question of bringing back scrap metals to the United States. It does not prohibit it or does not place impediments on bringing them back.

Now, to proceed with section 11:

(f) Nothing in this Act shall prevent any war contractor under the Contract Termination Act of 1944 from retaining any part of his termination inventory for use by him solely for manufacturing purposes, but no part of such inventory shall be sold by such contractor.

That particular line there I want to call your attention to. The Congress passed a contract termination act just a few weeks ago, it has been signed by the President, and in that act there is a provision that a contractor—and under the definition of a "contractor" is subcontractors—can take over the inventory, they can use it themselves or they can sell it, they cannot peddle it. I do not think it was contemplated by the Congress to let them dispose of those inventories that way, but, nevertheless, that is the law of the land, and so I put in this clause here, "but no part of such inventory shall be sold by such contractor". I do not think it ought to be sold. If he wants to use it in his own business, fine, but if he wants to buy it to speculate on it or turn it over to speculators, that is not what we should permit. I talked with a small manufacturer the other day about his inventory. I wanted to find out how this would affect him, and he said if this bill passes, he said, "When my contract termination takes effect, I will tell the United States Government that I will take all of the inventory that I have in my place of business." He said, "If this bill does not pass, if surplus property is going to be dumped in the United States, as advocated by the Attorney General of the United States and others, then I will not take one ounce of that inventory, it will all be Uncle Sam's."

In the termination of contracts bill, the contractor and subcontractor are given an option whether they shall buy or whether they shall turn back the inventory to the United States Government, and he said, "It will all be turned back unless I have some assurance that durable goods are not going to be dumped and I am not going to have to withstand a deluge of cheap goods, 10 cents on the dollar goods, from that source."

The last sentence in paragraph (f) is:

Any part not so retained and used shall be subject to the provisions of this Act.

That is, if the contractor does not want the inventory, he says, "No, I don't want it"; then, it passes in under the padlock.

Senator MURRAY. Senator, before you leave the subject of durable property, my understanding is that at the close of the war there will be a great demand in this country, on the farms and in other directions

also, for caterpillars, there is a great shortage of caterpillars. Now, if we stock pile all the caterpillars there will be surplus property at the close of the war and prevent them from being disposed of for a 5-year period, it will be necessary for us to provide in this country a great expansion of productive capacity to supply the needs of the country for caterpillars, and then when you have that all built up and the country becomes saturated with caterpillars we would have a very serious problem there in discontinuing that expanded industry, would we not?

Senator JOHNSON. No. If there is a demand for caterpillars after the war the folks who were making caterpillars before the war can make them.

Senator MURRAY. They will want to reconvert to their normal business.

Senator JOHNSON. They would just as soon make caterpillars.

Senator MURRAY. I know, but they will know there will be a limit to that sort of industry, they know if the country becomes saturated they will be through making caterpillars and their competitors will follow the lines that they formerly followed and will have the field for themselves.

Senator JOHNSON. I do not know how much experience the Senator from Montana has had with caterpillars, but I have had considerable experience with them, and I have talked with farmers who have had caterpillars and I know what they think of caterpillars. So far as a farm implement is concerned, the caterpillar is an obsolete piece of machinery right now, actually obsolete. It is almost an obsolete piece of machinery for road construction.

Senator MURRAY. In the post-war period then, there would be no real substantial demand for caterpillars in the country?

Senator JOHNSON. If there was any substantial demand for caterpillars in the country, private industry can supply that demand. The point is that all big caterpillars that the War Department is using and has used are not fitted for any use that we have, except perhaps highway construction, they may have a use for them there, but they are awkward. They are foolproof so far as abuse is concerned in jungles and other places, but they are terribly expensive to operate. No farmer is ever going to want one of them, and if he does want it he will want to get rid of it as soon as he can, because it will eat its head off in a very short time.

But the point is, and I want to go back to the theory of this bill, we want civilian demand for all the goods that the civilians can use, and we want industry in the United States to fill those demands, to supply them, to furnish work, to give work to people, and I cannot resist from repeating over and over again, that the sooner we can get industry back into business, the sooner we can get them to employing labor, the sooner we can get them to turning out goods and selling them to the merchants of this country the sooner we are going to escape from all the horrors of reconversion.

Now, section 12 deals with the disposition of plants, and that section deals with the antitrust laws. I do not pretend to know anything about section 12. I lifted it bodily from other bills. I do know, however, that certain industries in this country have already formed syndicates to go out on the market and buy all the goods which are manufactured by those particular firms, that is, all the surplus property they can get hold of.

Senator MURRAY. I do not think there would be much controversy between your provision with reference to disposition of plants and the provisions of other bills.

Senator JOHNSON. No; they are practically the same.

Senator MURRAY. Yes.

Senator JOHNSON. I do have a provision in here that is very important. I lifted the provision in section 13 from other bills. I do not know the reason for section 13, particularly synthetic-rubber plants and aluminum plants. I do have a provision in here some place that prohibits the operation of plants that have been built by the United States Government from being operated by the United States Government. I cannot turn to that right now.

Senator REVERCOMB. Section 15, page 12.

Senator JOHNSON. Oh, yes. It reads:

> No Government agency shall, in competition with private industry, manufacture or produce any articles or commodities for civilian use, or manufacture or produce any articles or commodities for military use in facilities acquired by the Defense Plant Corporation.

Of course, as to the last two lines there, the United States Government has its arsenals, and we do not want to interfere with them at all, but the Defense Plant Corporation, for instance, built a great many plants, built many plants for the manufacture of aircraft, for instance. We want the aircraft manufactured by the private manufacturer of aircraft.

Section 16, "Policies governing disposition," is complementary to the objectives of the bill which are found in the first section. However, I call your attention to section (d) under section 16, one of the policies is "to prevent sales to speculators or for speculative purposes." That is one of the most important features of the bill.

Now, section 17, "Regulations," is not different from other bills that you have before you.

Section 18, "General provisions," as far as I recall now there is nothing of particular difference there from other bills that you have.

Section 19, "Disposition of proceeds," is to be found in almost all of the other bills.

Section 20, "Authorization and use of appropriated funds, what I said before is true with respect to that, too.

Section 31, "Applicability," the same may be said as to that.

Sections 23, "Saving clause," and 24, "Separability of provisions," the same may be said as to them.

I thank the subcommittee for giving me this opportunity to present my bill.

Senator MURRAY. We appreciate your courtesy, Senator, and you may be sure your bill will be given very careful study. We have two other witnesses that we would like to squeeze in before 12 o'clock. We will next hear Mr. John P. Frey, president, metals trades department, A. F. of L.

STATEMENT OF JOHN P. FREY, PRESIDENT, METAL TRADES DEPARTMENT, AMERICAN FEDERATION OF LABOR

Mr. FREY. My name is John P. Frey. I am president of the metal trades department, American Federation of Labor.

Mr. Chairman, in the recommendations I am about to make I would like to have it understood that I speak for labor only, but I do bring in industry, agriculture, and the public.

First I would like to say that I am in hearty approval with what Senator Johnson has just presented, with one exception. I believe with him that the disposition of the Government-owned industrial equipment and material will either make or break the reconversion of industry and agriculture. It seems to me that the real question presented by the Johnson bill is whether we will start to go back home to work when peace is declared or whether we will begin to very rapidly expand the relief that will be necessary to give unemployed labor.

I would also like to say that I personally have much interest in Senator Johnson's recommendation about durable goods at least be frozen for a 5-year period, and when goods are sold that none of them should be sold to contractors, subcontractors, brokers, jobbers, or speculators because it seems to us that the problem facing the country directly affects our capacity to put people at work in the shops and on the farms and to begin the production of wealth; because our experience leads us to believe that there is no way out of unemployment except to beginning to produce wealth. Until we can do that, until our industries are occupied, until the wealth produced goes through millions of pay envelopes and from them into the cash register of the small store all other efforts to relieve the national problem I fear will leave us in a worse condition rather than a better one.

Now, I do not want to trouble the committee with too many illustrations, but I would like to give them one which will hold good practically all of the other industrial situations that we must keep in mind.

War production has required the manufacture of enormous numbers of machine tools. All of those tools are not now in operation, some are still in warehouses. At the end of the last World War the machine-tool industry was disastrously affected and some of the larger firms went out of business because immediately after the armistice the machine tools owned by the Government were dumped on the market. Now, the machine-tool industry goes back to the beginning. If the machine-tool industry can secure orders for new machines then there is a certain amount of work done on all of the iron ranges, a certain amount of work done by the coal miners. There is the transportation of the ore, there is the work in the blast furnaces, there is the work in the rolling mills, all before the material required by the machine-tool manufacturer reaches his warehouses. If the machine-tool industry is to be stymied when peace comes then it is not merely the draftsmen, pattern makers, machinists, molders, boilermakers in the machine shops that are going to be affected, but the influence extends back to the very beginning, the iron industry.

Now, the same will hold true of the textile industry. There is a good deal of manufactured cloth now in the Government's possession, cotton goods or woolen goods. I believe we either will have to put textile workers on relief or we will have to put them at work weaving new cloth.

So, so far as labor is concerned, we are quite convinced that it is essential that there be freezing when peace comes, and that the unfreezing of this material should be something which will follow the pattern set by those directly affected, which are not—and this is where I differ with the Johnson bill—which are not these Federal agencies advisory to the Administrator, but it seems to us that a committee must be set up which will control the Administrator's policy and which in turn will control what the Government agencies can dispose of, which consists of those who know much more about the problem I am discussing than anyone else possibly can. Those are the leaders in the manufacturing industries and the representatives of labor in those industries.

Senator JOHNSON. Mr. Frey, will you permit an interruption there?

Mr. FREY. Certainly.

Senator JOHNSON. The reason I did not set up a committee in my bill along the lines advocated by you is because I retained in the Congress the policy-making power. The Administrator is given very few powers, very little authority, so far as the continental United States is concerned. I retained it in Congress and therefore did not set up a committee. I stated that before, but I wanted to state it again here.

Mr. FREY. It is our opinion that the authority to determine how our surplus material and supplies are to be disposed of must be in someone's hands. An Administrator is acceptable to us, but that Administrator must, in turn, be governed by the conclusions of those first affected and who, because of their experience, know more about it. Now, no one knows more about the influence of unloading or dumping a lot of manufactured material than the manufacturers of our country in the various manufacturing industries. No one knows more than a farmer that runs a farm what will happen to him in the next year's crops if a large amount of perishable goods now owned by the Government be dumped on the market. We want to have something which will work better.

Now, as to labor conditions during and after the war, we want one agency, an agency representing the manufacturing industry, the labor in those industries, the farmers and the public, one agency. We do not want in the post-war period any such confusion as has existed in the labor policy of this country up to the present time, where we now have over 26 Federal agencies, all of them issuing directives, rules, and regulations affecting industrial conditions and labor policy. The confusion we have now, if it were not for the patriotism of American workmen and American manufacturers, would have made impossible any such a showing as industry has made. So, on that one point, Mr. Chairman, we feel very strongly. We feel the farmers, industry, and labor are the ones that will be most affected by what is done with the surplus goods in Government hands, and we believe that the Administrator should have associated with him a body representing those four groups, so that they will make the policy and not the Federal agencies.

Senator MURRAY. I thank you very much, Mr. Frey. I was wondering if you would care to submit a further extended statement for the record? If you would desire to do so, I will be very glad to have you submit it.

Mr. FREY. Thank you, Mr. Chairman. I will do so if possible. I have to leave day after tomorrow, because of a shipbuilding situation on the Pacific coast which our department has been looking after.

Senator MURRAY. We appreciate the contribution you have made.

Mr. FREY. I must be before the Navy Department tomorrow at a conference.

Senator MURRAY. Thank you very much.

At this time, I would like to insert in the record statements that have been submitted to the committee by the Automotive Council for War Production, the Civil Aeronautics Board, Management Planning, Inc., and I also wish to say that the Surplus War Property Subcommittee of the Small Business Committee will introduce its bill during the next 2 days, and I have a short statement and the report of that committee that I ask be inserted in this record. Senator Stewart and Senator Taft will appear on behalf of that bill at a hearing of this subcommittee Thursday, August 10.

(The matter referred to is as follows:)

Small business is most vitally concerned with surplus war-property legislation. The course followed in the disposal of the vast Government holdings of plant and equipment can either strengthen the competitive position of small manufacturers or can serve to widen the competitive gap between them and their larger rivals. Small retailers whose shelves have been emptied by the combination of unprecedented demand and wartime restrictions on production are anxious to secure their fair share of the surplus of consumer's goods. Proper surplus war property policies can constitute a tremendous national benefit to small business.

The Senate Small Business Committee recognized the crucial importance of this question for small business long ago. On October 28, 1943, the chairman of the Senate Small Business Committee introduced a bill to provide for the orderly disposal of surplus property and in December this was followed by another dealing with machine tools. As a result of this early recognition of the problem, the Senate Small Business Committee received a large volume of correspondence from trade associations, experts in the field and individual businessmen which will aid it in further study. On April 19, 1944, a Subcommittee on Surplus War Property of the Senate Small Business Committee was appointed consisting of Senator Stewart, as chairman, Senator Taft, and myself. This subcommittee has been actively at work and conferences have been held with the Surplus War Property Administration, the Department of Justice, Budget Bureau, Smaller War Plants Corporation and numerous trade associations. Following its study, the subcommittee issued a report on July 21, 1944 which constitutes an exhaustive treatment of the problem. The committee now has a bill ready for introduction representing the product of almost a year's study of the question.

The Small Business Committee has long recognized the crucial importance of a proper handling of mineral and metal stockpiles. The Mining and Minerals Subcommittee of the Small Business Committee held extensive field hearings on this and other subjects in April and August 1943. A report dealing comprehensively with stockpiling was issued on July 6, 1944. Senator Scrugham and I joined some time ago in a measure to assure adequate post-war stockpiling. The present draft of the Small Business Committee contains provisions to protect against the dumping of Government-owned stock piles of minerals and unfabricated metals on the post-war market. However, expert opinion indicates that this is not a desirable course to follow for fabricated goods.

In considering this question, I should like to refer you to the report of the Surplus War Property Subcommittee of the Small Business Committee, copies of which are available here, and which I should like to have made a part of the record of these hearings. In addition, I think that you will find the report on the Liquidation of War Production, prepared by the Committee for Economic Development, and the Summary of Recommendations Submitted on Surplus Property Legislation to the War Contracts Subcommittee.

PROBLEMS OF SURPLUS PROPERTY DISPOSAL

PRELIMINARY REPORT

Your subcommittee was appointed by the chairman on April 19, 1944, to prepare a comprehensive report on the surplus war-property problem and to draft a bill for submission to the full committee. The appointment of your subcommittee was recognition of the fact that public interest in surplus disposal, as evidenced by newspaper and trade-journal comment and correspondence received by the committee, centers largely around the problem of protecting the established small business trade channels. There is, of course, general agreement in all quarters that when the billions of dollars of surplus property—ranging from shirts to jeeps and bomber plants—is dropped into the American economic sea, no area or segment of the economy will escape its impact; but there is also a special awareness that only the smaller craft are in danger of being submerged.

While the subcommittee is continuing to study the surplus-property problem in the light of developing experience and to consult with Government agencies and industry representatives, it makes this preliminary report to point up the problems and to narrow and define the issues.

THE DIMENSIONS OF THE PROBLEM

No definitive estimate is available of the amount of post-war Government-owned surpluses. There is, however, no lack of estimators, and their estimates range all the way from $50,000,000,000 to $112,000,000,000. With the view of obtaining accurate inventory information, the Senate on March 14 agreed to Senate Resolution 195 which requests the President to report to the Senate within 3 months the results of an investigation to be made by the Federal agencies of the surplus property owned or controlled by the United States. While we cannot anticipate the President's report, we may point out that it took 4 months and 10,000 men to complete the first inventory of goods left over on Armistice day in the First World War, and the listing was out of date by the time it was finished. New deliveries had increased some items: spoilage had decreased others. While we recognize the magnitude of the tesk of taking the inventories, and the fact that any listing will be subject to drastic fluctuations, it is clear, nevertheless, that a working inventory must be one of the basic determinants of legislative surplus property policy, and particularly, of its effective administration. That is not to say, however, the Congress need wait for statistiesl perfection before legislating basic policies.

Any given estimate of surplus property will vary in firmness depending upon the nature of the property involved. Surplus war plants and equipment and nonindustrial facilities, such as airfields and cantonments, are obviously susceptible of fairly firm estimation. Aircraft ships, combat equipment, civilian goods, and raw materials, however, can be estimated only on the basis of making certain assumptions concerning the course of the war and the size of the military reserves when "X-day" comes. With these qualifications in mind, we submit a summary estimate which has been under consideration by the Surplus War Property Administration.

Summary estimate of Government-owned war-end surpluses

	Value
Facilities (excluding land):	
Nonindustrial:	
Air fields, etc	$4, 111, 000, 000
Troop housing	4, 605, 000, 000
War housing	2, 717, 000, 000
Other	12, 351, 000, 000
Total nonindustrial facilities	23, 784, 000, 000
Industrial:	
Buildings, etc	7, 900, 000, 000
Machinery and equipment	8, 094, 000, 000
Machinery in services	560, 000, 000
Total industrial facilities	16, 554, 000, 000

Summary estimate of Government-owned war-end surpluses—Continued

	Value
Aircraft:	
Planes, all types	$20, 000, 000, 000
Plane parts and spares	6, 000, 000, 000
Total	26, 000, 000, 000
Ships (maritime only):	
Liberty	2, 500, 000, 000
Victory	2, 440, 000, 000
Standard	2, 130, 000, 000
Transport	530, 000, 000
Tankers	1, 970, 000, 000
Other	430, 000, 000
Total	10, 000, 000, 000
Military (Army only):	
Combat vehicles	4, 000, 000, 000
Radio equipment	3, 300, 000, 000
Radar equipment	2, 200, 000, 000
Total	9, 500, 000, 000
Potential civilian goods:	
Finished products:	
Trucks, cars, tractors, etc	4, 000, 000, 000
Railroad equipment	400, 000, 000
Photo equipment and supplies	96, 000, 000
Precision instruments	90, 000, 000
Medical and dental	264, 000, 000
Food products	1, 875, 000, 000
Clothing (unissued)	725, 000, 000
Total finished products	7, 450, 000, 000
Raw materials:	
Petroleum products	2, 160, 000, 000
Government stock piles	1, 428, 000, 000
Other	1, 000, 000, 000
Total raw materials	4, 588, 000, 000
Materials in process	3, 700, 000, 000
Miscellaneous equipment and supplies	2, 252, 000, 000
Grand total	103, 828, 000, 000

Certain observations should be made concerning the various categories in the foregoing table. Of the $16,500,000,000 of Government investment in industrial plant and equipment, one-third has gone into the production of combat ordnance —explosives, ammunition, shells, guns, combat vehicles. The post-war use of such plants is extremely restricted—they will, in the main, be limited to use as stand-by arsenals. Another third has gone into facilities for aircraft, including engines and accessories, and for ship construction and repair. This third is somewhat more usable in the post-war world, although the huge investment in shipyards is far greater than any visible post-war requirements and offers negligible possibilities for conversion. The last third of the Government's $16,500,000,000 investment has gone into a diverse group of plants, including synthetic rubber, petroleum and coal products, metal products, machine tools, machinery and electrical equipment and appliances, and miscellaneous manufacturing facilities. (It may be noted that in this group, considered as a whole, private investment has matched or exceeded the public outlay.) While the average cost per plant is $6,000,000, approximately 544 plants cost between $25,000 and $99,000, 619 plants cost between $100,000 and $249,p00, and 1,027 between $250,000 and $1,000,000. Although the so-called scrambled plants (additions to existing privately owned plants) are included in these figures, these brackets include a great number of plants which present promising opportunities for acquisition by small business.

Civilian-type products are estimated at $7,500,000,000. Probably half of this quantity will be located abroad and will be disposed of there. The balance will constitute less than 2 months' total retail sales during a normal pre-war period.

Aircraft and shipping, which today account for 50 percent of the current war-supply program, will probably result in a surplus of $36,000,000,000 and will call for the same kind of special consideration that must be given to ordnance and synthetic rubber plants and shipyards.

By way of comparison, one statistic from the last war. On November 12, 1918, the Government owned the largest quantity of supplies ever accumulated in history up to that time—approximately $6,000,000,000.

THE EXPERIENCE OF THE LAST WAR

There is no clear World War I pattern to guide World War II policies in surplus disposal. Not only do the two problems differ vastly in degree but they differ almost as much in kind. The last war saw almost no Government ownership of plants. In this war, the Government has become the largest industrial owner in America. Its ownership is equal to one-third of the total value of all industrial companies in the Nation and represents the equivalent of 6 yeas of normal pre-war construction. Its holdings are so concentrated in such fields as aluminum, magnesium, synthetic rubber, aircraft, and shipping as to give it the majority voice in such industries. In the case of certain civilian end products and scrap, the Government's holdings will exceed several years' normal supply. Nevertheless, the experience of the last war offers some valuable lessons.

During the 4-year period following the war, a number of independent Federal agencies, the War Department, Navy Department, Veterans' Bureau, Shipping Board, and General Supply Committee (the last now absorbed in the Procurement Division of the Treasury Department) sold surpluses costing approximately $3,800,000,000 and recovered for the Treasury from these sales approximately $1,500,000,000. These sales were conducted under the authority of an act passed on May 10, 1918, which authorized the President "during the existing emergency" to sell any surplus property acquired in connection with the prosecution of the war upon such terms as he deemed expedient and through the head of any executive department.

The disposal methods inlcuded negotiated sales, competitive sales through sealed bids, retail sales through Government-owned Army-Navy stores in 26 cities, and public auction sales conducted by private auctioneers.

Although the act of May 10, 1918, centered disposal authority in the President, there was no effective coordination of the various disposal agencies or of disposal policies and procedures. Instances of one Federal agency selling surplus property while another agency was accepting bids for the same item were not infrequent. In the face of a repeated congressional request to release road-building equipment for disposition to State highway departments where it was needed to provide employment for road building during the demobilization period, the Army contrived to hold on to such equipment for a considerable period. While the cost of living was skyrocketing, the Quartermaster Corps refused to release consumer-type goods until forced to do so by public indignation and strong congressional pressure. Not infrequently, the lots offered for sale on a competitive-bid basis included large quantities of diverse items so that only speculators would be interested in bidding. Finally, in 1921, the Office of Chief Coordinator was established and provided a measure of coordination.

LEGISLATIVE APPROACHES

Since the middle of 1943 some 50 bills on the subject of surplus-property disposal have been introduced in Congress. Some of the bills are one paragraph long and seek only to establish a preference for certain classes; others are designed to establish a new agency to administer the disposition of certain types of property; still others include surplus-property disposal as one broad phase of a total demobilization program; others, finally, include brief surplus-property provisions as incidents of comprehensive legislation dealing with programs for veterans or small business.

A brief summary of these bills is contained in Appendix A.

THE ISSUES

Few phases of the war-demoblization problem are more important than surplus-property disposal; none is more difficult. Newton D. Baker, Secretary of War during World War I, reviewing the problem of disposing the Government's $6,000,000,000 of surplus materials, stated that nowhere in the world at any time

had there been a commercial problem comparable in extent or intricacy. This time the quantities of surplus are not only many times greater, but the difficulties may be said to increase in geometrical ratio.

Fundamentally, there are two approaches to the problem. First, it may be looked upon as a problem in liquidation with the objective of recovering the greatest number of dollars in the shortest possible time; or second, the issue may be regarded as a problem in national economic planning with the objective of so regulating the disposal of surplus property to the private economy as to assure the promotion of maximum production and employment and other national goals. Virtually all of the thinking which proceeds from the premise of the great economic potential contained in surplus—whether in terms of its power to destroy industries or in the optimistic terms of its power to streamline and revitalize our economy—subscribes to the latter approach.

ORGANIZATION

In view of the great number and diversity of items that will become surplus and the great number of variable factors involved in estimating any future market situation, it is clear that no legislative formula can specify to the last detail the methods to be followed by the executive agencies charged with the disposal responsibility. In the final analysis, any legislative framework will have to depend upon the kind of administration provided, and administration depends upon organization and personnel. Organization, therefore, will be of crucial importance.

All the commentators on the problem are in agreement that coordination and centralization of policy is necessary. Some urge that such centralization be achieved by a congressional declaration of policy which would then be administered by a number of the existing independent agencies. This position is ascribed to fear of "superagencies." Others, however, mindful that coordination of operations is as important as coordination of policy, advocate the establishment of a top agency under whose direction and general supervision the operating agencies would function. They are fortified by consideration of the good-management precept long urged by the Bureau of the Budget, that in an organization as large as our Federal Government, it is not sufficient in legislating in matters of executive management having general application to impose requirements upon the agencies individually. The Congress in such cases, they urge, should clearly center responsibility so that it may look to one executive unit for information and for compliance. This is the approach adopted by the Office of War Mobilization in establishing the Surplus War Property Administration by Executive Order 9425.

The argument is advanced by those who fear a "superagency" directing the operations of other agencies that it is unwise to divorce policy decisions from actual administrative responsibility. The suggestion that policy making and administration be merged in one entity has a surface plausibility as an obvious means of securing coordination. The argument, however, ignores the realities of modern large-scale organization, whether in the field of government or business. Within any large agency or organization, policy and administration are divorced to a greater or lesser degree; the higher levels make policies or "subpolicies" for the lower levels to administer under their direction. Coordination is achieved, not by giving the top operating officials authority to make their own policy, but by centralizing ultimate authority and responsibility in capable hands. If the authority is clear it can operate across agency lines as well as across divisional lines within one agency. But the organizational problem in surplus disposal is much broader than this argument assumes—not only must administration be coordinated with policy, but the great number of policies for the various types of property must be coordinated with each other, and Nation-wide and world-wide operations must be harmonized. If we are to achieve these broader goals and make the maximum use of the old agencies, organization on the pattern of the Surplus War Property Administration is indicated.

Some proposals urge the establishment of a new and separate agency. This suggestion, as the Baruch-Hancock report so well explained, is vulnerable for two controlling reasons. In the first place, the war procurement agencies now have a trained field force with long experience in every industrial field, domestic and foreign. It would be most wasteful to supplant these corps of experts. Second, and more important, preparations for demobilization at the present stage of war are inseparable from the transcendent duty of prosecuting the war. A separate agency would aggravate the possibility of conflict between the "mobilizers" and the "demobilizers."

Accordingly, the indicated organization is one in which policy is centralized in, and operations coordinated by, one agency, while administration and day-to-day operations are decentralized area-wise and industry-wise. Such an approach has been adopted by the Surplus War Property Administration in assigning different types of property to different existing agencies for disposal, and in providing for regional disposal offices.

Industry representatives are unanimous in urging that disposal of each type of property be centralized in one agency for the obvious and decisive reason that a firm should have to look to only one agency for information concerning its product. Two exceptions to this rule, however, appear to be justified. Disposal abroad might require special treatment. During the present phase of the war, one of the governing considerations in surplus disposal must be the clearance of plants where contracts have been terminated to make way for production on new war contracts. In such cases, it seems reasonable in the interest of speed to consider the assignment of the disposal function for the property involved to the agency which terminated the contract, even though the property may normally be handled by another disposal agency. If this course is pursued, however, it would appear that the regular disposal agency should exercise general supervision and be kept fully advised to insure that no conflict over price or other policy develops.

WHAT IS SURPLUS?

Surplus is, of course, a relative term. As we have used it in this report, particularly in connection with the estimates of the magnitude of the war surplus, it was intended to refer to the excess of United States owned property over normal Government requirements. Such a definition is too broad for administrative purposes since in practice United States property is in the possession or control of one of the great number of independent executive agencies. The first question that calls for answer is, When is property surplus to the need of the agency in possession or control thereof? Related questions are, Who shall make that determination and who shall have authority to order the inventory from which the surplus is determined. The Army and Navy today do not have an inventory of the property in their possession, and there are obvious objections to any program which would have the effect of directing the Army and Navy to take time off from fighting the war to compute inventory. On the other hand, we must be prepared to prevent a recurrence of the experience following the last war when the Army persisted in holding on to property that was obviously surplus. At this time, it would seem that surplus be defined in terms of each agency's needs and inventory, subject to the authority of the top policy organization to regulate the declaration of surpluses and the taking of inventories. It would be expected that the top agency, during the period of the war, would leave to each of the war procurement agencies the primary responsibility for searching out and declaring surpluses, though the inventorying of plants and their major machinery and equipment might well be required even now.

POLICIES AND OBJECTIVES

We have rejected the proposition that Government surplus be disposed of like a bankrupt estate with a view only to securing the quickest and the highest dollar for the creditors. It is necessary, therefore, to state as fully and as specifically as possible the congressional policies and objectives which legislation should provide. As in all basic economic questions, categorical answers are not possible. We may, however, define the issues and the relevant considerations.

PROMOTION OF PRODUCTION AND EMPLOYMENT

The common fear held by certain sections of business is that surplus property, if dumped on the market, will destroy their industry and throw thousands of workers out of jobs. That such a result should be avoided requires no justification; indeed, surplus-disposal policies should be expressed positively in terms of promoting production and employment. Any specific application of this policy, however, involves the evaluation of a great number of other important considerations, some of them contradictory. Generally speaking, a purchaser who will undertake to operate the plant he buys, should be preferred to a purchaser who proposes to dismantle the plant for sale abroad. To what extent, then, should the preference be implemented? What price differential should be available to the man who plans to provide employment? But, obviously, there is no promo-

tion of production, if in selling a given plant to a purchaser who will operate it, the Administrator has forced the shut-down of an older plant of the same size, or of a number of such plants.

One method of implementing the preference policy to those who will engage in production and provide employment is to prohibit the sale of Government-owned plants except on condition that they be operated at substantial levels of production and that if this condition is breached, the Government may rescind the contract.

AVOIDING MONOPOLY

Much consideration has been given to the avoidance of monopolistic aggrandizement and its attendant trade restraints and restrictions. The Attorney General has expressed his willingness to review any proposed sale involving surplus property representing a cost to the Government of $5,000,000 or more for the purpose of advising whether in his judgment the proposed sale will encourage monopoly or undue concentration of industry or commerce, or restrain competition substantially. If the policy of discouraging monopoly is accepted, it would seem that the technical legal and economic questions involved should be referred to the Department of Justice's Antitrust Division. Any reference of a proposed transaction to the Attorney General for review should carry a time limit in order to prevent, in effect, a "pocket veto." Failure of the Attorney General to render an opinion in the time period allowed would permit the Administrator to proceed on his own responsibility but should not affect the Department's power to prosecute the purchaser for violation of the antitrust laws.

The antimonopoly criterion is a necessary but not a sufficient guide for the disposition of property in those strategic industries in which the Government's holdings now exceed those of private industry, or are exceptionally large. The wise disposition of synthetic rubber plants, aircraft plants, shipyards, etc., calls for the fine balancing of a great number of considerations which go to the root of our national economy. The facts upon which wise disposition must be predicated are not yet available. It is suggested, therefore, that with respect to such plants, the safe course is to require the Administrator to make a report on the alternative means of practical disposal and to submit such report, together with his recommendations, to Congress. It is not suggested that the Congress become a forum for debate on which of two bids received for a particular plant should be accepted. The role of the Congress should be confined to reviewing proposed *programs* for disposal and enunciating the national policy with respect thereto. Pending the enactment of a congressional policy, there should, of course, be no hiatus in the operation of the plants. The Administrator should be permitted to negotiate leases for a reasonable period.

Virtually all of the Government-owned plants carry an outstanding option to purchase in favor of the contractor who operates the plant. No standard option has been prescribed, with the result that literally hundreds of variations obtain. The Attorney General has testified that some of these options may be void as against public policy, citing illustratively, a clause prohibiting the use of the plant for any commercial purpose for a period of 20 years. Many of the options now outstanding are held by corporations which dominate their industries by virtue of their vast holdings. The Congress should be slow to allow the further aggrandizement of such corporations by permitting the honoring of options which are of questionable legality or whose price and other terms are not strictly complied with. In many cases, regardless of option, a contractor who is now operating a Government plant will be the likeliest purchaser, but there does not seem to be any reason for fortifying his position as against other prospective purchasers through the honoring of dubious option claims.

Many of the plants, for example high octane and synthetic rubber plants, can be disposed of economically only to companies which have access to the patented technological processes of the industry. In order to widen the base of ownership in such industries, it would be necessary to provide for the licensing of such patents to prospective purchasers of Government plants. The license could be limited to run with the plant. Any specific proposal in this field would have to wait upon the completion of studies on the subject in congressional committees and the executive agencies, including, particularly, studies of the disposition of industrial processes and patents developed at Government expense in privately owned plants and those held by the Alien Property Custodian.

PROTECTING THE GOVERNMENT'S PROPERTY IN TECHNIQUES, PROCESSES, AND INVENTIONS

Our table of Government surplus included no estimate of the value of this great variety of intangible property—industrial techniques, processes, and inventions which have been developed in Government plants, at Government expense, or under Government sponsorship, or which have been vested by the Alien Property Custodian under the Trading With the Enemy Act. These, too, will become Government surplus and should be made available to industry in such a way as will best promote the public interest.

It is well remembered that during World War I there was a concentrated technical development incident to production for war equal to a far greater span of peacetime years. And there is every evidence that our technical strides in the present conflict are even more spectacular. These new techniques constitute an important property, and their disposal is a matter of concern not merely to the individuals and corporations that may obtain them but to our society as a whole. They are of peculiar interest to small business. They might become a fateful instrument in the hands of monopoly. Their distribution may be a determining factor in the character of our future economy.

The question of the Government's protection of this property against attempts to secure private patents thereon apparently must be considered with that of disposal, if the Government is to have this property to dispose. Already there have been reports of private individuals securing patents on processes developed in Government plants, in the development of which they had no part. The War Production Board Chairman, Donald Nelson, recently said that this very thing had been giving him "a great deal of concern" and that there had been no machinery set up to prevent it.

It appears that little if anything in the way of public policy has been determined with regard to this intangible property. This phase of the subject has had little investigation. In the interest of a socially sound distribution of war-surplus property and in the particular interest of small business, your subcommittee should investigate the surrounding situation that adequate disposal legislation may be drawn.

DECENTRALIZATION

The subcommittee is mindful of the many proposals before the Congress designed to develop the underindustrialized sections of the country. The surplus plants provide a means of promoting such development. In the case of certain types of plants, the American economy will be unable to absorb all of the Government's wartime additions. If only a fraction of such plants can be sold while the rest are scrapped, reasonable preference in selecting the plants to be sold may well be given to the underindustrialized sections. A program for subdividing large plants into small units available for lease or purchase would contribute to the effectiveness of a decentralization policy, particularly in the case of plants which are not readily convertible. The success of the liquidators of the vast Amoskeag plant of Manchester, N. H., in attracting a great number of small firms into the plant by a policy of offering subdivisions should provide useful experience to guide the Administrator.

DUMPING

A related phase of the full-production and full-employment objective is the prevention of dumping. While commentators are unanimous in stressing the danger of a disorderly release of surplus into the private markets with resultant abnormal depression of prices, some have regarded it as equally important to emphasize the dangers of the opposite extreme. They hold that a policy of holding merchantable stocks off the market for long periods of time will have a depressing effect on production, will deprive consumers of needed goods, and will slow down the whole process of reconversion. As a representative of the Procurement Division of the Treasury Department has said, "Who would invest money in a shoe factory if he knew the Government held warehoused 10,000,000 pairs of shoes awaiting future release on a signal from Washington?" The advocates of immediate but controlled release of surpluses point to the experience of the last war when surplus goods were held off the market during the inflation boom of 1919 and early in 1920. It was not until the market began to decline in the summer and fall of 1920 that surpluses were dumped in volume and almost regardless of value. This, it is claimed (probably with undue emphasis) contributed to the depression of 1921.

If surpluses are not to be released haphazardly, all markets are not to be protected indiscriminately. The markets for many products are artificially restricted—supply is controlled and prices are not competitive. Certainly a market

that is not free has no claim upon the protection of the Surplus Property Administrator. Where the Government's inventory of a particular product exceeds the capacity of a free market to absorb without undue dislocation, the Administrator should, with the advice of an industry advisory committee, provide for periodic sales so as to permit the industry to gage the market and make the necessary accommodations. But as the Attorney General has emphasized, no one intends that the Administrator of Surplus Property should be given power, through the sale of surpluses, to prevent competition or to regulate the market. Courage will be required in such cases if the Administrator is not to freeze surpluses for extensive periods in response to pressure-group demands, and wise judgment if he is to accommodate the release of surpluses to market conditions without artificial regulation of the free play of economic forces.

STRATEGIC METALS AND MINERALS

In no field is the danger of dumping more real or pervasive than in metals and minerals, including both the primary and secondary forms. In metals and minerals, competition between Government-owned surpluses and new commercial production is direct and unmitigated. In the case of fabricated goods, new commercial production will be able to offset the competition of Government surpluses with innovations in design, color, or more economical performance. In the case of metals and minerals (as in the case of other raw materials) new commercial production will be able to offer no sales premiums.

The problem is aggravated by the existence of huge stores of scrap metal which, like the stock piles of primary metals, must be considered in estimating the Government surplus which is in potential competition with new commercial production. The scrap metals are economically recoverable in varying degrees, ranging from the 100 percent recoverability of copper scrap to the relative unrecoverability of zinc scrap. Estimates now available point to the existence of very substantial surpluses in certain of the metals—running as high as several normal years supply in the case of copper.

Spurred by consideration of these huge metal surpluses and mindful of Pearl Harbor which saw this country dangerously short of its war requirements for certain strategic metals, the mining industry has come forward with proposals for legislation designed to create vast stock piles of metals and minerals against the requirements of a future war. The most conservative of these proposals would have the effect of withholding from the commercial market all the Government-owned surpluse ; others call for the increase of the stock piles. A number of objections have been made to this approach. It is argued that some of the stock piles would be greater than military considerations would require and that the static stock-pile theory smacks of the discredited Maginot line strategy of preparing to fight the wars of the future with the weapons of the past; it is suggested, instead, that the wise disposition of metal surpluses will involve the same balancing of considerations of market, Government cost, security, and national economic factors that is recommended for surpluses in general. After establishing stock piles for security reasons in accordance with the recommendatons of the military, the Administrator should, according to this view, work out with a mining industry advisory committee a program for the periodic sales of metal surpluses that will permit metal producers to gage the market and continue fair production of new metal without interruption.

ESTABLISHED TRADE CHANNELS

A policy generally advocated is the requirement that disposal be effected through established or regular trade channels and that speculators be barred. There are some, however, who fear that a strict application of this policy may result in a freezing of the status quo—sales may be made only to firms that are already established in the business of manufacturing or selling a particular product and sales may be confined to a particular class of distributor. While there are advocates of this extreme implication of the regular-trade-channel policy, it seems an undue interference with the principle of free competition. Certainly distributors who have been on short rations during the war are entitled to special consideration in the post-war period but such consideration need not exclude a proper regard for other claims. Veterans who wish to open their own business should not be barred from the surplus market, nor should firms which seek to extend the scope of their business. The Baruch-Hancock report contains a discriminating formulation of the goal to be served:

"As far as practicable, use the same regular channels of trade that private business would in disposing of the particular properies."

The regular channels used by private business are generally a combination of the old and the new, with sufficient leeway for desirable flexibility. The Baruch-Hancock counsel is both fair treatment and good business.

SPECULATORS

One of the abuses in the last war's handling of surpluses was the sale of large mixed lots which included such diverse items as the proverbial "shoes and ships and sealing wax." Only a speculator could afford to bid on such an offer. Since risk is inherent in business, the breed of speculator is not easily distinguished from the "regular" businessman. A simple way to discourage his undue participation in surplus disposal is to provide for sale in small lots which will accord with the purchasing power of the small firms in the normal trade channels. A policy of fair credit terms would also have the effect of canceling out the advantage enjoyed by the well-financed speculator over the small businessman.

FAIR PRICES

An opinion generally shared is to the effect that profiteering in surplus property should be avoided and consumers should have the benefit of fair prices for surpluses. One obvious deterrent to profiteering is the "goldfish bowl" policy, with records of surplus property inventories and sales always open to public inspection. Other proposals envisage the retention of some form of the excess-profit tax for profits made from the sale of surplus property. This proposal appears to involve burdensome administrative mechanisms without insuring general compliance. While it may be applied more easily to consumer goods which may be resold in their original form, there is still the problem of assigning overhead costs as between surplus sales and other sales. In the case of industrial machinery sold to the ultimate user or sold to the original manufacturer who may recondition or rebuild extensively, the computation of excess profit is impracticable.

An attempt to prevent windfalls through an uneconomic and wasteful method is to be found in the Statement of Policies To Be Followed by Government Agencies in the Sale of Contract Termination Inventories, issued by the War Surplus Property Administration on April 21, 1944. The provision requires that in all sales of scrap the purchaser warrant that the property will in fact be used as scrap. The apparent design of this clause is to prevent a purchser of scrap from salvaging usable materials from his purchase and reselling them at great profit, which would imply negligence on the part of the Government disposal agent. Certainly scrap dealers should not be permitted to buy usable materials at scrap prices, but the way to achieve this goal is not by pretending that everything sold as scrap is actually unusable. The disposal agent should assume the responsibility for separating the usable materials from the scrap materials and should not seek in effect to bury his mistake by requiring the waste of the usable material, particularly during the war period when material and labor shortages obtain.

SMALL BUSINESS

The small business community is the bulkwark of our free enterprise system. Its independence, initiative, flexibility, and resourcefulness are guaranties of a democratic and expanding economy in which new processes and technology can be effectively tested and introduced. Moreover, if the economic momentum of the war period is not to be lost in the post-war period, if wartime levels of production and employment are to be maintained, then the facilities of small business must be completely utilized, and even increased. The unavoidable dislocations of the war period have seriously impaired the resources and competitive position of many small businesses and increased the handicaps under which they operate. The disposal of surplus war property should not serve further to aggravate those handicaps; indeed, it should be administered so as to restore and expand the role of small business in our national economy.

A deceptively large measure of agreement on the subject of protecting the interests of small business appears to exist in the various surplus-property-disposal programs. The measure of agreement becomes very insubstantial when concrete provisions are proposed.

The first point at which the surplus-property problem infringes upou the interests of small business is the matter of information. Lacking facilities or staff to dig out information concerning Government surpluses, small business will be seriously disadvantaged unless it becomes the invariable practice to give uniform

and wide public notice concerning surplus property available for sale and to allow adequate time intervals between notice and sale. All interested businessmen should have this fair opportunity to buy. Adequate notice and the "goldfish bowl" policy should prevent a recurrence of incidents such as the recent sale of $1,700,000 worth of urgently needed cutting tools for $37,000 and will prevent sales to a few insiders who have access to leaks in the disposal agencies.

Small business also requires that surplus property be sold in small lots accommodated to its ability to buy. While there is general agreement in principle on this point, there is considerable disagreement concerning the means required to achieve it. It is questioned whether this policy can safely be entrusted to the procurement agencies to which will be assigned the general disposal functions. Quite naturally these agencies will be more concerned with their over-all responsibility for speedy disposal than with the resultant impact of their disposal practices on the small business segment of the community. The experience of small business in the letting of contracts by the war agencies illustrates this point. The war agencies required great quantities of goods speedily and found that the easiest way to get them was to let contracts to the handful of giant corporations. Any procurement officer, however inexperiences understood that it was safe and easy to give a contract to General Motors to produce machine guns. A procurement officer, however, needed patience and ingenuity to figure out that machine guns could also be obtained by combining the work and facilities of a number of small firms. This line-of-least-resistance approach did a disservice, not only to small business, but to the Nation's war effort; it should not be permitted to discriminate against small business in the disposal of surplus property.

To correct the discriminatory situation in the letting of contracts, the Congress found it necessary to enact Public Law 603, approved June 11, 1942, which set up the Smaller War Plants Corporation to police the channeling of contracts to the small business community. A similar approach is indicated for surplus-property disposal. The Corporation should be authorized and directed to review proposed terms of sale, particularly in respect of the minimum quantities on which offers will be received and the credit terms, for the purpose of advising the disposal agency when in its judgment the proposed terms discriminate against small business purchasers. It is conceivable that in certain cases, the disposal agency may be planning a general sales campaign and may be unable to accept the recommendation of the Corporation. In such a case, the Corporation should be authorized to purchase surplus property for resale to small business in small lots. This proposal theoretically contains the possibility of dual organizations and dual operations. Considered realistically and in the light of the experience of the Corporation under Public Law 603, these possible objections prove insubstantial. The Corporation, of course, would not compete with the regular disposal agencies by offering different prices; the price policy would be subject to the control of the Administrator. Nor would there be frequent occasion for the Corporation to take over the disposal function. Just as in the case of the letting of war contracts the right of the Corporation to take prime contracts has had the effect of stimulating procurement offices to seek out small business contractors, so; in the same way, we may expect that the right of the Corporation to buy surpluses will have the effect of stimulating the disposal agencies to sell in small lots on fair terms.

FOREIGN DISPOSAL

The extent of economic interdependence among the countries of the world has certainly not been reduced by this global war. It is steadily becoming clearer that operation of the American economy at high levels of production and employment in the post-war world is one of the best guarantees of world-wide economic prosperity. Of course, American production levels will be influenced in an important way by the extent of our exports to the world market, and our exports, in turn, will depend upon the level of world-wide industrial activity. This circular chain of economic fact underlies Secretary of State Hull's eloquent plea for world-wide cooperation in foreign trade. In this new world market surplus property will have an important role to play. Its wise disposal will involve integration with a comprehensive foreign-trade program and a bold use of credit and financing.

No aspect of the surplus-disposal problem has provoked wider differences of opinion than foreign disposal. At one extreme are proposals which would prohibit absolutely the export of industrial machinery, or prevent any recourse to the foreign market until the domestic market has been completely saturated. At the other, are proposals which, unmindful of the danger of counter-measures in the form of tariff barriers, seek to dump all surplus abroad with a prohibition against reexport to this country. Both extremes proceed, of course, from a desire to protect and enhance the domestic economy; their differences derive to some extent from the different industry standpoints from which the problem is viewed and from an attempt to extend to all products a formula appropriate, perhaps, to one.

The export problem becomes more manageable, and the extremes of opinion can probably be brought closer together, if the problem is broken down into a number of its components. Consider first surplus property on the basis of its location. The surplus goods that will be located abroad will offer few difficulties so far as policy determinations are concerned. Most of these goods will not become surplus until after the end of the European phase of the war. The surpluses will then include chiefly consumer-type goods, including vehicles, and military equipment. Consumer goods will find a natural market in relief and rehabilitation as administered by the United Nations Relief and Rehabilitation Administration. Military equipment will be returned to this country for storage in arsenals, or scrapped to insure that none of it falls into potentially hostile hands.

Of the surplus property located in this country two observations may safely be made. First, in respect of certain items there will be a greater supply than the domestic market can absorb without serious dislocation. Second, the foreign countries that have been starved for industrial machinery during the war years or which have been devastated or looted by the Germans will be crying for such machinery from our surplus stocks at the low prices which will prevail. There is no disagreement that the first claim on surplus machinery is held by American purchasers who seek to replace older, obsolete equipment so as to improve our national industrial efficiency upon which our high wage and living standards rest. The difficulty arises over what to do with the inevitable balance. The consumer-goods industries are fearful that the export of capital goods will make our former foreign customers self-sufficient and may even result in their industrialization to the point where they can compete with us for export markets. They are not impressed by the fact that, generally speaking, a nation tends to become a better customer of the United States as it becomes more industrialized. The wise decision is not an easy one to make, but if we are to secure an adequate return for the Government for its billions of surplus, the foreign markets will have to be utilized. This is not to suggest that surplus machine tools and other capital goods should be shipped aboard indiscriminately. We shall require a program for exports which will have the effect of developing our foreign markets by such measures, among others as tying in the sale of machinery to a foreign country with the continued reliance by that country on American farms, mines, or factories for its materials, components, or related industrial equipment.

Proponents of the widest development of the foreign surplus market cite a number of immediate advantages to be derived therefrom. Export of surpluses built to 1941 and 1942 standards will enable American manufacturers to concentrate on and develop new designs and new products. Disposal of surplus abroad will be a spur to increased production in this country, as a result of which the cost of production may be reduced to the point where American producers will be able to enter world markets on a competitive basis. Innovations in the design and efficiency of American products will have the effect of turning foreign markets to our factories for modernization of their equipment.

One conclusion, at any rate, emerges from a consideration of the complexity of the export problem and the diversity of opinion it has provoked. Regardless of the ultimate policies to be pursued—many of which will be determined by last-minute developments on the foreign scene—the problem calls for the balancing of a great number of conflicting interests and reveals the need for the wise administrative hand of an agency experienced in the foreign field, guided by the makers of our foreign political policy.

VETERANS

There is virtual unanimity on the proposal to give special preference to ex-servicemen. Of course, for the overwhelming majority of servicemen the most effective preference would consist in the disposal of our total mass of surpluses in such a way as to promote full production and ensure an adequate job in private industry for them. But it is also true that hundreds of thousands of soldiers have been taught new trades, new skills, new techniques, and have become attached to the radios and photographic equipment, construction machinery, and safety and technical equipment the Army has taught them to use. Many soldiers would

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like to be able to retain this wonderful equipment upon their demobilization, either to set up shop on Main Street surrounded by their own tools, or to return to their farms with the tractors and accessories they have learned to handle, or merely to use in their hobbies.

The veterans' associations urge that the soldier should not be required to purchase such items from dealers who may have purchased for speculative purposes. It should be noted, however, that the provisions heretofore recommended for preventing sales to speculators and insuring resale at fair prices would obviate most of the objection. No specific plan has come forward for distributing surplus to veterans. One procedure would be the continuance of the post exchanges and the ship's stores for a short period after the termination of hostilities for the sale of certain types of Army surplus to demobilized veterans.

EDUCATIONAL AND OTHER TAX-SUPPORTED INSTITUTIONS

A great number of bills incorporate the principle of preferential treatment for educational and other tax-supported institutions. They propose either that such preference take the form of outright donations (lend-lease in Senator Clark's S. 1815) or priority in receiving notice of inventories and bidding. These provisions are premised on three considerations: (1) Surpluses will exceed the absorptive capacity of commercial markets, (2) the desirability of promoting educational and other public services, (3) the benefits in lower prices granted by the taxpayers will enure to the benefit of the taxpayers (this last, of course, is subject to certain qualifications).

Few will quarrel with the proposal that after Federal agencies have been canvassed for their needs, surplus property for which the estimated cost of handling, storage, and sale would exceed the estimated proceeds of commercial sale should be donated to tax-supported institutions or State and local governments. Nor will there be substantial dissent from the proposal to turn over to local boards educational properties, both real and personal, which were acquired by the Federal Government in connection with war-housing programs or otherwise.

There is, however, a considerable range of products required by tax-supported institutions for which there will be a profitable commercial market; for example, radio and photographic equipment, safety and technical equipment, and construction machinery. In such cases it is not easy to determine what the extent of preference should be—mere priority in acquisition, or a discount from the market price. Accordingly, it seems advisable to provide for these preferences in terms of an authorization to the Administrator to make such specific provision for preference as will be appropriate in the context of a given market situation. In view of the many thousands of customers in this tax-supported field, it would seem that the preferences may be made operable only on the basis of the establishment by the States of some central State-wide agency with which the Administrator could deal.

ADVISORY BOARD REPRESENTATION

All industry associations are agreed on the necessity for industry advisory committees on the Administrator level and in the various disposal agencies for each class of surplus. The proposals sometimes call for the automatic adoption of the committee's decision unless the Administrator should find the decision clearly unreasonable. One need not accept this extreme recommendation with its implication of virtual abdication of governmental responsibility to recognize the great importance of the Industry Advisory Committee.

The War Production Board, the Office of Price Administration, and other war agencies have revealed the important uses of these mechanisms. However, there is some criticism to the effect that these committees are disproportionately composed of representatives of big business and that interested labor, farm, and consumer groups are ignored. Without attempting to apply a rigid formula for representation, it seems reasonable to provide that the committees shall be fairly representative of the larger business units, including retail and wholesale distribution firms, the smaller business units, labor groups, and interested farm, consumer, and other groups, if any. In order to insure the active participation of the representatives of the less affluent associations, it would seem desirable to provide for reasonable per diem and traveling expenses for the members of the committees.

APPENDIX A. BILLS PROVIDING FOR SURPLUS PROPERTY DISPOSAL

The complexities of the surplus property problem are well illustrated by the variety of legislative solutions to be found in congressional bills.

One proposal authorizes the Secretary of Agriculture to requisition from the War and Navy Departments any material or equipment not required for the prosecution of the war for transfer to local public bodies for soil- and water-conservation projects (S. 1745, March 3, 1944: H. R. 4180, February 14, 1944). No definition of surplus property is provided nor is authority to declare property surplus clearly granted to any specific agency.

Another bill authorizes the Smithsonian Institution to acquire and dispose of certain surplus property (S. 7127, February 21, 1944).

Pending in the House is a bill that passed the Senate on July 3, 1943, authorizing the Secretary of War to dispose of land and improvements under his jurisdiction for the purpose of locating or relocating roads, railroads, or public utility lines (S. 1156).

Senator Nye introduced a bill giving general authorization to Federal agencies to dispose of surplus war materials. Provision is made for clearance with other Federal agencies before property is offered to the public, and, in the case of public sales, there is the drastic requirement that no property be disposed of at a price which is less than the cost to the United States of its acquisition (S. 1680, February 1, 1944).

A number of bills are concerned, in effect, with the single provision that in disposing of lands acquired by the Government for war purposes, preference shall be given to the former owners thereof (S. 1775, March 14, 1944; S. 1794, March 20, 1944; H. R. 2112, March 8, 1943; H. R. 2377, April 2, 1943; H. R. 2487, April 13, 1943; H. R. 4457, March 22, 1944; H. R. 4462, March 23, 1944).

Various bills are concerned only with the establishment of other types of priority. Senator Clark's (Mo.) bill creates an agency to lend-lease surplus personal property to State and local governments for use in soil conservation, flood control, highway maintenance, or any other useful public purpose (S. 1815, March 28, 1944). A House bill authorizes the Secretary of War to sell or lease surplus property in the following order: (1) To farmers, (2) to tax-supported organizations, (3) in the domestic market, (4) to agencies of foreign governments, (5) in foreign markets. If sale or lease is not practicable, the property may be donated to tax-supported organizations or charitable institutions (H. R. 3025, June 22, 1943).

A number of bills have been introduced to provide for the disposition of special types of property. In nearly every case, such bills establish new agencies therefor or new divisions within existing agencies. Senator Maloney introduced a bill to govern the disposition of Federal housing (S. 1607, December 18, 1943). Several bills establish new agencies or Government corporations to dispose of surplus agricultural products (H. R. 4259, February 23, 1944; H. R. 4275, February 24, 1944; H. R. 4281, February 29, 1944). A Federal Machine Tool Commission is established in S. 1609 (December 21, 1943) to administer the disposition of machine tools in accordance with stated priorities. A National Reconversion Board is created in H. R. 3856 (December 16, 1943) to administer the disposition of "strategic materials" and Government-owned plants and factories. A House bill proposes a Surplus Property Board under the jurisdiction of the Reconstruction Finance Corporation to dispose of movable surplus property, exclusive of ships, in accordance with fairly well defined criteria (H. R. 4420, March 16, 1944). Another House bill proposes that the Civil Aeronautics Board administer the disposal of surplus aircraft (H. R. 2959, June 15, 1943). Merchant vessels are assigned to the Maritime Commission for sale in accordance with a stated price formula in S. 1814 (March 28, 1944).

Surplus-property provisions are to be found also in several bills which deal primarily with other subjects. A bill designed to provide a program of benefits for demobilized servicemen contains a section creating the Office of Custodian of Surplus War Property and gives priority in disposition to servicemen who wish to establish small business enterprises (S. 1604, December 17, 1943).

Senator Murray's Small Business Act of 1944, designed to enlarge the powers of the Smaller War Plants Corporation, contains provisions for the protection of small business enterprises in surplus disposal by giving the Corporation authority to effect sales in small lots and on terms fair to small business (S. 1913, May 12, 1944).

Comprehensive approaches to the whole problem of surplus-property disposal are to be found in a number of bills. An Administrator of Surplus War Property, in whom is centralized disposal authority, is proposed in S. 1478 (October 28,

1943). An interim program pending final congressional action is contained in S. 1729 (February 2, 1944), with the provision that the Director of the Bureau of the Budget shall be the top surplus-property official. Provision is also made in this bill for the permanent good-housekeeping problem involved in transferring property between Federal agencies and disposing of normal Government surplus. This bill in its original form, which contained no provision for handling special war surpluses, passed the House on June 9, 1943, as H. R. 2795.

A House bill provides for centralization of disposal authority in the Reconstruction Finance Corporation acting in accordance with policies established by a Surplus Property Board composed of four Government officials and three businessmen (H. R. 3873, December 18, 1943).

Two important Senate bills approach the surplus problem as a phase of the broader problem of demobilization. Senator George's S. 1730 (February 22, 1944) provides for an Office of Demobilization in which would be centralized authority for contract settlements and surplus-property disposal. An even broader approach is to be found in Senator Kilgore's S. 1893, which contains statutory authorization for an Office of Mobilization and Post-War Adjustment patterned upon the present Office of War Mobilization. The bill also creates constituent agencies to deal with surplus property, retraining and reemployment of servicemen and war workers, coordination of contract cut-backs, and an over-all Program and Planning Bureau.

AUTOMOTIVE COUNCIL FOR WAR PRODUCTION,
Detroit, Mich., August 5, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Military Affairs Committee, Washington, D. C.

DEAR SENATOR MURRAY: The contract termination committee of the Automotive Council for War Production has been empowered by the board of directors of the council to deal with the problems of surplus-property disposal arising from war production. This committee is most happy at receiving an invitation to present this industry's views and is glad to lend its assistance to the solution of problems that will be created by the mass termination of war contracts.

In view of the shortness of time before your committee hearings begin on Monday, it is not possible for our committee to accept, at the present time, your invitation for a personal appearance before your committee. However, we are taking this opportunity to supply you with a statement of some of the problems which, in our opinion, deserve consideration in the framing of legislation on surplus disposal, including removal of property from the plants.

In general, we believe that there are instances in which legislation will be helpful to the armed services and procurement agencies if the legislation is aimed at facilitating Government action on removal and disposal. Such expression from Congress, along with continued aggressive industry action and advance preparation, will pave the way for reconversion and reemployment.

Undoubtedly, many of the problems are purely administrative in nature and we are cognizant of the fact that the services are working on some of them and, in many cases, believe that they are nearing satisfactory solutions. Nevertheless, indecision exists all along the line.

Therefore, wherever legislation will be helpful in clarifying the intent of Congress, or in providing representatives of the armed services or procurement agencies with additional authority for prompt action, our committee is glad to lend its support.

We are accompanying this letter with a statement which outlines some of the critical problems and suggests some means by which termination policies might be implemented to save time and speed up reconversion. This presentation is largely phrased in terms of the industry's principal problem, which is that of prompt plant clearance, encompassing property removal and immediate phases of disposal.

The aspects of removal and disposal presented in the attached are mainly those which are dependent initially upon Government action, prior to the stage at which individual company action can become effective. Legislative stimulus may well assist the various responsible Government agencies in taking additional steps essential to free the industry for prompt performance of its reconversion task.

Very truly yours,

JAS. H. MARKS,
Chairman, Contract Termination Committee.

STATEMENT REGARDING PLANT CLEARANCE, PROPERTY REMOVAL, AND IMMEDIATE PHASES OF WAR PROPERTY DISPOSAL

Since early in 1943 the Automotive Council for War Production has been on record with various governmental and legislative groups regarding 14 points of action and policy to facilitate immediate clearance of plants and quick settlement of claims. Some of these principles have already been adopted as national policy. Included in these is the principle of negotiated settlements, final except for fraud, with contracting officers freed from personal responsibility for payments made in good faith. These and other contingent principles of good termination policy have been dealt with intelligently by Congress and various other agencies.

There remain, however, important problems concerned with the physical removal of property. For instance, the council has advocated since the promulgation of its basic principles regarding contract terminations that advance decisions must be made on anticipated termination problems such as plant equipment available for purchase by contractors, material available for purchase, method of removal of material and equipment (including scrapping).

PREDETERMINATION OF HANDLING

A determination, as far as possible in advance of the day when contracts will be canceled wholesale, as to the disposition of termination inventories would be of invaluable assistance in speeding termination settlements, the clearance of plants, and reconversion of those freed facilities to nonwar use.

There has been a good deal of experience in connection with termination of war contracts, demonstrating that oftentimes decisions on disposal of materials which clog plants has been delayed as much as 9 and, in some cases, 12 months. It is recognized, of course, that the military services must gain experience in handling terminations, but every effort must be made to shorten the time required in making decisions as to property disposition.

Predetermination of what is to be scrapped and what is to be preserved for possible use elsewhere is extremely desirable. Here is what one company has done to pose the problem:

It prepared a current inventory of major items involved in the manufacture of two military items being produced in its plants. This inventory listed the number of units on hand, and the cost of those items, together with the contractor's own recommendations as to appropriate disposal of each item when the contract is ultimately terminated. This tabulation was presented to a branch of one of the military services. It offers that branch an opportunity to analyze the inventory listed and the recommendations for disposal made by the contractor. With that data at hand, the service branch should be in a position to weigh the disposal recommendations and decide now whether those recommendations are acceptable. Thus, a predetermination would be made of the final disposal of those items as far as the contractor is concerned.

WILL REDUCE SIZE OF PROBLEM

Estimates vary as to the percentage amount of termination inventories that will be good for nothing but scrap. But all estimates by informed civilians or procurement officers are high; some of these estimates are that as high as 90 percent of the inventories are good for nothing but scrap. The decision as to what portion of the inventory may be segregated to be scrapped must be made by the contracting officer or his representative. It should be made immediately after inventory, so that this scrappable material can be moved out of the plants without the necessity for providing storage space and without the necessity for protecting it with grease preparation, packing, boxing, or even storage buildings. Decisions as to the disposition of the usable material must also be made. For instance, as to whether it should be offered in the open market by the contractor, stored for disposal in the future, turned over to the Surplus War Property Administrator, or any other disposition.

These are admittedly difficult decisions to make. The burden of such decisions on an individual contracting officer is severe. When mass terminations occur, such decisions will be titanic and overwhelming and will be conflicting in urgency with a host of other decisions to be made by the contracting officer. To lighten the burden on this man, to eliminate the need for finding storage space for mountains of material that will eventually be discarded, and to speed the clearance of plants of the great bulk of parts in process, such decisions should be made in advance of actual termination wherever possible, either by the contracting officer or by his superiors.

CIVILIAN MACHINES FROZEN DESPITE EXCESS

A typical example of conflict between current regulations and any attempt to make practical preparations for reconversion is that privately owned machine tools are frozen to war jobs, even though surpluses of Government-owned machine tools are in existence. The freezing of such privately owned machine tools makes it impossible for the industry to do any realistic advance scheduling of the use of these machines or to begin now to recondition them or retool them for automotive production, despite recently issued War Production Board rulings that would otherwise permit some preparations for retooling to get under way.

More than one automotive company has been stalemated in attempts to make progress on reconversion plans of a nature that will not interfere with war production. One company, for example, selected a standard machine, owned by the company but being used on loan on a Government contract, as subject of a test case. The machine is typical of those which are in "excess" stocks of the various procurement agencies due to cut-backs and cancelations. The company requested approval of a plan to substitute a Government owned machine.

POLICY IS NEGATIVE

This request resulted in an investigation of procurement regulations by the agency involved. It is replied that since, at the present time no new policy has been set up for the replacement of contractor-owned equipment with Goverment equipment, so long as the contractor-owned equipment is capable of doing the job allotted to it, no substitution of equipment could be permitted. Further, the contention of the service is that such a substitution would "essentially be making a machine available for civilian production" and this was considered in conflict with the idea that Government-owned machines are available only for war work.

The company which received this statement of policy by the military service finds no fault with the legal interpretation reached by the service. But it questions whether the regulations of the service are consistent with public interest and the intent of Congress that preparation for speedy reconversion and reemployment, to an extent that does not interfere with war production, is a most important objective at the present time.

SALES POLICIES INCONSISTENT

A related example is that some offers to buy specific items of surplus equipment under the price policy enunciated by the Surplus War Property Administrator have been refused by the military services on the basis that they must still adhere to an older price formula (in which lower rates of depreciation are allowed). We recognize that this kind of incident may be attributable to a time lag between announcement of Surplus War Property Administration policy and acceptance and promulgation of regulations to implement the policy by the services, but the problem is typical of some that must be removed before mass terminations occur.

SIZE OF PROBLEM

From the viewpoint of the operating men in the automotive industry, the reconversion and reemployment problem that follows the termination of war contracts is a huge physical task. Most immediate problem after termination is that of plant clearance, that is, the removal of Government property, including tools, dies, jigs and fixtures, and materials—whether in the raw state, semifabricated, or in various states of processing.

It is possible to visualize but not precisely gage the size of the physical task facing each of the various automotive companies. For example, one automotive company will have to move 100 acres of equipment, including huge presses, out of its plant in order to make room for reconversion to civilian production. You can appreciate the size of another automotive firm's job of unscrambling its facilities after the war by picturing the two and three-quarter million square feet of Government-owned machinery that is mingled with company-owned equipment, and must be segregated and moved before the firm can really begin its reconversion. In this case, the machinery would cover a floor area equivalent to about 25 Yankee Stadiums.

Another automotive firm has converted its entire four-and-a-half-million square feet of plant space to making aircraft engines and has added another half-million square feet of space since before Pearl Harbor. Virtually no resemblance remains of its prewar facilities for making automobiles, so it must clear the floors completely and start from there to reestablish its automotive manufacturing set-up.

EVALUATION IS ESSENTIAL

These facts are recited because there is serious question whether the size of the plant-clearance job is fully appreciated in all quarters and whether the vital time factors between terminationa and reemployment are properly evaluated by everyone. Legislation now directs that contracting agencies move Government property from these plants within 60 days after inventory lists have been submitted by the contractors, a speed of removal that obviously can be attained only by much advance preparation on the part of the Government agencies. Even then, however, removal may be pending for 90 days or more after termination because approximately 30 days might be required in many instances to get inventory records in shape for submission.

The industry feels that we simply can't afford to lose that much time before commencing the clearance of civilian plant facilities, a job which must precede retooling the plants to resume peacetime production and employment. Certainly by underestimating the time factor, we will risk unemployment on a wide scale for 6 months or a year after termination.

Because of the time factor and the urgent need for definite action, it is apparent that any work on this job before termination day will be a substantial contribution to prospects for quick reemployment of workers and veterans.

Emphasis must be given to the idea that, if physical removal of Government property is required, the procurement agencies and industry must organize for the job, to "whittle down" the over-all job.

HOW TO "WHITTLE" SIZE OF THE JOB

The only way this job can be handled without unnecessary waste of time is by putting every phase of it on a closely timed schedule, and by tackling the job itself in such a way that it is broken down into small elements, or so the size of the job actually is reduced. This is precisely the way in which the operating men in industry will undertake their reconversion and reemployment responsibilities.

Costly delays after termination can be avoided by arranging now the procedures and methods for the final handling of inventory lists by industry and Government personnel. There is every reason for simultaneous listing of Government property, verfication by previously selected Government experts, and immediate removal from the plants to preselected warehouse or sites.

Government agencies can assist materially by immediately implementing termination policies established in the Contract Settlement Act of 1944 in such a way that they telescope the various time factors and reduce the size of the job of plant clearance.

SPECIFIC RECOMMENDATIONS ON HOW TIME CAN BE SAVED

Carry through the congressional plan to deal realistically now in legislation with the remaining questions of Government policy on removal, disposal, and reconversion.—Legislation of a desirable character is incorporated in the Contract Settlement Act of 1944. In view of current cut-backs and cancelations and the imminent possibility of mass terminations, other pieces of legislation to round out the program demand early action.

Sufficient Government and industry personnel should be trained and prepared to carry out procedures and policies for rapid clearance of plants.—Some procurement agency personnel and industry personnel are being trained now. In some companies, special termination departments or sections are already established to cope with the coming job. In others, special termination committees of top personnel are directing the activities of personnel in established departments.

Wherever possible start now on inventories, estimates, classifying equipment, segregating various types of materials, and scrapping useless materials.—What semifinished products (parts in process) will be scrapped? Will it be more economical to finish the parts for some use or to scrap them immediately? These are policy decisions for Government administrative officers to determine. Perhaps many of them will be made long before termination notices are sent out. A declaration of intent by Congress could be most helpful in encouraging prompt decisions of this character.

Earmark machine tools and equipment.—Whatever is to be retained for arsenals, or used for stand-by purposes, should be tagged now and arrangements made for removal and shipping. (Industry has already indicated what percentage of machines and equipment it is interested in, provided that it is not needed by the

Government.) Equipment to be scrapped should be so marked. Machines that can be sold to manufacturers should be offered for sale now, even if release from war work cannot be arranged until war work ceases. When surplus equipment is available to the Government as a result of cut-backs or cancelations, it should consider putting that equipment on war work to free contractor-owned equipment for reconditioning for a later return to civilian production. Disposition of machines can be accomplished in many cases before termination day. Not only will it shorten time needed for plant clearance but also will cut the time of waiting for deliveries, if new machine tools must be ordered from busy machine-tool builders at later dates. Although a pricing policy for general-purpose machine tools has been established by the Surplus War Property Administration, working procedures are still lacking (see example cited on p. 5) and price policies are still forthcoming on other types of equipment and aids to manufacture.

Allocate storage space according to each contractor's requirements.—After the necessary steps, outlined above, have been taken to reduce the amount of inventory to be stored.

Standards for indoor storage and out-of-doors storage should be uniform for all agencies.—Decisions will have to be made as to what materials and equipment can be stored outside. Some warehouse facilities may have to be built.

Procurement agencies and the War Production Board should indicate as soon as possible what facilities will be kept in operation indefinitely, which ones will be kept in partial operation, which ones will be kept intact as stand-by plants, and which ones will be permitted to reconvert, partially or completely.—Where possible, remove long-term contracts from necessary civilian plants and concentrate orders in plants where reconversion is not a factor.

By removing from preliminary consideration those plants which the Government desires to retain, industry will know whether any new plants will be required, and Government will know whether additional storage space must be provided.

CIVIL AERONAUTICS BOARD,
Washington, August 2, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: The Board appreciates the opportunity afforded by your letter of June 29, 1944, in which you requested the Board's specific comments on the disposal policies recommended in part I of the report on Disposal of Suplus Aircraft and Major Components Thereof, prepared by the Harvard University Graduate School of Business Administration.

The problem of surplus aircraft disposal is one to which the Board has given considerable study for some time. When the Surplus War Property Policy Board, the advisory group to William L. Clayton, Administrator, Surplus War Property Administration, was established in February 1944, the Chairman of the Civil Aeronautics Board was made a member. Mr. Clayton subsequently designated him as Chairman of the Surplus Aircraft Advisory Subcommittee, consisting of representatives of eight interested Government agencies, and asked the subcommittee to investigate and report on the problem of surplus aircraft disposal.

During the work of the Surplus Aircraft Advisory Subcommittee the Board gave renewed and detailed attention to the problem. The Board is in general agreement with the Report on Surplus Aircraft Disposal, submitted by the Surplus Aircraft Advisory Subcommittee to Mr. Clayton. This report was released on July 26, 1944, and we are enclosing a copy of it for your information. In many instances the recommendations in this report follow closely those in the Harvard report. There are some differences, however, and while the availability of the Report on Surplus Aircraft Disposal seems to make unnecessary a detailed segregation of the differences, we should like to call particular attention to a few of them.

The Harvard report emphasizes (p. 5) the desirability of "one central Government-disposal agency" and suggests that "the War Department, the Navy Department, the State Department, the Civil Aeronautics Authority, the Treasury and any other existing agencies with a vital interest in surplus-aircraft disposal" should serve on an advisory board to the central-disposal agency. We believe that the most important organizational consideration is centralized responsibility for policy: we do not believe the number of disposal agencies is of itself so important. Also, we would mention specifically for inclusion on the advisory board representatives of the Department of State, the War Department, the Navy Department, the Department of Commerce, the Civil Aeronautics Board, the Foreign Economic Administration, and the Reconstruction Finance Corporation. (See Centralized Responsibility for Policy, p. 7 of enclosed report.)

It is a recommendation of the Harvard report that surplus transport aircraft "should, in most instances, be overhauled to meet the proper airworthiness standards and modified, when necessary for civil use, by the original manufacturer" (p. 11). We do not support this compulsory assignment of overhaul and modification to the original manufacturer. We believe the aircraft manufacturers should participate in this work as the result of successful competitive effort rather than by governmental assignment on a preferential basis. (See p. 11 of the enclosed report.)

With these more important exceptions, we are on the whole in general agreement with the recommendations of the Harvard report. Like you, we found the report to be comprehensive and farseeing; we believe it is a commendable study of the problem.

Sincerely yours,

L. WELCH POGUE, *Chairman.*

REPORT ON SURPLUS AIRCRAFT DISPOSAL SUBMITTED BY SURPLUS AIRCRAFT ADVISORY SUBCOMMITTEE TO WILLIAM L. CLAYTON, ADMINISTRATOR, SURPLUS WAR PROFERTY ADMINISTRATION, OFFICE OF WAR MOBILIZATION

OFFICE OF WAR MOBILIZATION,
SURPLUS WAR PROPERTY ADMINISTRATION,
SURPLUS AIRCRAFT ADVISORY SUBCOMMITTEE,
July 18, 1944.

Mr. WILLIAM L. CLAYTON,
Administrator, Surplus War Property Administration,
Office of War Mobilization, Washington, D. C.

DEAR MR. CLAYTON: The Surplus Aircraft Advisory Subcommittee submits the following report:

On March 9, 1944, following discussion at a meeting of the Surplus War Property Policy Board, you appointed the Surplus Aircraft Advisory Subcommittee to investigate and report on the problem of surplus aircraft disposal.

WORK OF THE SUBCOMMITTEE

Our first meeting was held on March 15, 1944. Committees have made special studies and reports to us. Conferences have been held with representatives of the aircraft manufacturing industry, the air transport companies, the air line pilots labor, and associations representing a wide variety of aviation interests. As the result of a contract entered into last November between the War Department and Harvard University, the Graduate School of Business Administration prepared a report on "Disposal of Surplus Aircraft and Major Components Thereof." The final report[1] was preceded by two interim reports which, through the courtesy of the War Department, were made available for use of the subcommittee.

There is considerable divergence of views in the aircraft industry and elsewhere on the proper solution to the problem of surplus aircraft disposal. Many divergences initially existed also among the members of the Subcommittee; however, we have reached a unanimity of opinion in submitting this report and recommendations to you.

METHOD OF APPROACH

It has seemed to us desirable to divide this report in two principal parts.

Part 1 deals with certain over-all policy considerations.

Part 2 sets forth in some detail specific recommendations. Of the various possible methods of detailed presentation, the division of surplus aircraft into what might be termed use categories, as done in the Harvard report, has appeared to be the most logical one. We have, therefore, followed that part of the plan of the Harvard report and divided surplus aircraft into five classes, as follows:

Class A—Tactical aircraft, or planes useful only for military purposes.

Class B—Transport aircraft, or larger planes primarily useful for scheduled transport operations.

[1] Now available to the public in Report of the War Contracts Subcommittee to the Committee on Military Affairs pursuant to Senate Resolution 198, a resolution to investigate war contracts, the terms of war contracts, and related problems; 78th Cong., second session, Senate Subcommittee Print No. 6, June 26,1944.

Class C—Personal aircraft, or smaller planes with nonmilitary uses (adaptable to personal flying, fixed-base operations, training, and a wide variety of miscellaneous uses by governmental departments and private corporations).

Class D—Aircraft equipment and components, useful for both military and nonmilitary purposes.

Class E—Unabsorbed surplus, or all other planes and components (including equipment in unsound condition) not useful for further military or commercial purposes.

In addition, the recommendations of the Harvard report with respect to these five classes have been carefully considered and have at times been closely followed.

PART 1

BASIC POLICY

Since 1939, the United States aircraft industry has attained a size unparalleled in the modern industrial world. Management, technical competence, and labor have combined under the stress of national peril to achieve preeminence in aircraft technical developments and productive capacity. The finest aircraft of all important types are being produced at rates and in quantities which are unprecedented. To date, well over 200,000 aircraft have been built.

Both the quantity and character of aircraft [2] production have met the demands of world-wide military operations of increasing intensity. These demands will eventually diminish. At the cessation of hostilities, there will be literally thousands of aircraft of different types which will be excess to our then existing military requirements.

As the term is used in this report, surplus aircraft are the aircraft left over and declared surplus by the Army and Navy after all demands of the air services for post-war operations and reserves have been met; it includes also, of course, obsolete, unserviceable, and other aircraft which have served their military purpose and which will be declared surplus from time to time. Post-war world conditions and national policy will dictate the exact number of aircraft which it will be necessary for the air services to retain to meet these needs of our national defense. Doubtless the number which will be needed will be large in comparison with any previous peacetime experience. Nevertheless, after all these needs of national defense have been met, many aircraft will remain for disposal. These are the surplus aircraft with which we are concerned in this report.

The problem presented is distinctly and importantly different from the disposal problems of other surplus war materials. The investment in surplus aircraft might well be greater than in any other class of surplus property. The transportation systems and facilities which can be established with aircraft are economically and socially important; surplus aircraft will have international political significance. Policies for the disposal of surplus aircraft will involve our national interest, and international relations might be adversely affected if they were not administered wisely in the light of particular situations.

Most important is the necessity of preserving as a national asset the capacity of our permanent aircraft manufacturing industry for research, development, and production of aircraft and aeronautical devices of the very latest types. Air power is today the key to our national security. The aircraft industry has been one of the arsenals of democracy. Our national defense will be seriously weakened if that arsenal and its developmental ability are destroyed. Air power, based upon the latest achievements of the aeronautical sciences, will grow in importance as a force upon which we must rely in any future international test of strength at arms to which we might be subjected.

There must not be a stagnation in aeronautical development such as that which followed the first World War. The defense afforded by the tactical aircraft of this war would, in any future war, be as ineffective as the Maginot line; and reliance upon them in some future emergency would imperil our national survival. Commercially, our air carriers must have the most modern equipment to make air transportation's greatest contribution to our national economy and to compete effectively in international air services. Our future best interests from the point of view of economics, social development, international relations, and national defense are tied closely to our progress in the art of aviation. We must maintain the organizational facilities which are best equipped to keep us in the forefront of the development of aeronautical products representing the greatest achievements and advances in the aeronautical sciences.

[2] In a special preliminary report to you dated May 8, 1944, the term "aircraft," as used by the subcommittee, was defined as "Surplus aircraft (including gliders), aircraft engines, aircraft propellers, aircraft instruments, air-borne radios and radars, synthetic air training equipment, and all air-borne armament except ordnance, and such maintenance spare parts for each of these items as are usually procured from the original builder or his subcontractor and are peculiar to the item." The term "aircraft," as used in this report, has this broadened meaning, except where the context obviously connotes a more restricted meaning.

Uses must be found for as many as possible of the thousands of surplus aircraft which will become available. Policies for the disposal of surplus aircraft in a world-wide market must be economically and politically wise. In finding uses and applying policies, a constant eye must be kept on the problem of maintaining in our aircraft industry facilities for the advancement of the aeronautical sciences and for the production of aircraft of the most advanced types. In meeting these problems, the fundamental and all-important objective in surplus-aircraft disposal should be the maintenance of excellence in American aviation. We must stand in the forefront of civil aviation development and in our ability to meet the demands of our national defense.

MILITARY AVIATION

We are certain that surplus military aircraft should not be maintained as a civilian military reserve in addition to those modern aircraft which will have been retained as a military reserve by the armed services at the close of the war. The services will have kept the aircraft determined to be required for our national defense. An additional civilian reserve composed only of obsolete and unserviceable aircraft would be impressive only in meaningless numbers, and it would be a dangerous threat to our excellence in military aviation. The aircraft which the services will retain at the close of the war will rapidly become obsolete; their replacements should not be drawn from a reserve even more obsolete. From a military point of view, we could not expect to succeed with obsolete aircraft against newer and better types. It is our opinion that the placement of surplus aircraft in a civilian military reserve would serve only to contribute to a sense of false security.

Continuing and ultimate strength and excellence in peacetime military aviation rest primarily in the health and alertness of the aircraft industry and in its ability to expand at a moment's notice in the production of the most advanced types of aircraft. The policies in surplus aircraft disposal then which will most effectively contribute to the maintenance of excellence in American military aviation are those which serve to promote the development of and to strengthen the aircraft industry.

CIVIL AVIATION

Our development and excellence in civil aviation likewise rest to a large extent in an aircraft industry technically advanced and able to supply our air carriers and private flyers with the most efficient equipment obtainable.

DISPOSAL POLICIES

There appear to be two extreme methods of handling the surplus aircraft disposal problem. One is to sell aircraft for which there is a market at whatever prices they will bring, thereby obtaining income for the Government and making available to the taxpayers as a whole, aircraft for which they have paid during the war. The second extreme would be to scrap all surplus aircraft as a means of protecting the aircraft manufacturers. Neither of these extremes appears to us to be desirable. The first course of action might be ruinous to the aircraft industry. The second method destroys wealth unnecessarily, is unduly costly to the taxpayer, and might also harm our aircraft industry by freeing world markets to foreign-held surpluses and by failing to promote air transportation over the world with American equipment.

An orderly method of disposal, satisfying the legitimate market and using industry channels in a normal way, appears to hold the promise of greatest benefit to our national interest. The aircraft industry should be able to draw appreciable transition strength from the work of overhauling and conversion, and from supplying spare parts. It should also be able to develop fruitful sales contacts for future markets through its participation in the disposal.

We urge that wide publicity be given to the specific information necessary to take advantage of the availability of surplus aircraft. Disposal policies should, so far as possible, discourage speculative purchases.

CIVIL AERONAUTICS ADMINISTRATION

In the United States, the Civil Aeronautics Administration should inspect and flight test one plane of each model declared surplus for which there is a civilian use, to determine whether the model can be certificated and in what category. If the model is not eligible for certification but can be made so by minor modifications, the Civil Aeronautics Administration should detail the modifications required.

FOREIGN MARKET

For all types of aircraft, there will exist a foreign market. We do not know to what extent some of our surpluses will be competitive with those of other nations, but we should attempt to develop the foreign markets as rapidly as we are able in order to secure the widest possible distribution of American aviation products and the future sales potential which will result from this policy.

Transport types are now and will for some time be in acute demand for the operation of United States domestic and international air services and for the operation of air services by other nations throughout the world. While our first impulse during the period of short supply might be to meet first the domestic demands for surplus aircraft, we believe that a wiser policy dictates the placement with foreign nations of a portion of even a scarce supply. We feel that this would be a sound business move by the United States. Goodwill would be established, and we would also create a substantial foreign market for our aircraft industry.

USELESS REMAINDER

After all the aviation needs for surplus aircraft have been met, we believe it probable that large surpluses will remain. Markets and uses for these remaining surpluses will exist in educational, experimental, memorial, and miscellaneous nonaviation uses. We urge every possible meritorious utilization. But even after all conceivable needs and uses have been met, surpluses will remain.

The greatest number of remaining aircraft for which no use can be found will probably be tactical aircraft. For the most part, such tactical aircraft will be either so war-weary, or so obsolete, that they will have no military or other appreciable value. It is difficult to judge the probable quantities of transport aircraft for which no use can be found. After all the aviation and nonaviation demands have been met, it is possible that those transport aircraft for which no possible use has been found will be few and of little value. In the case of smaller types of aircraft suitable for nonmilitary uses, the demand for most models is likely to exceed the supply. With respect to aircraft equipment and components, we believe that while the quantity of such surpluses may prove to be large their utility will not be great.

If the remainder proves to be small in quantity, there should be no question whatever about scrapping it. If, on the other hand, despite all the efforts to make some use of the remainder, appreciable quantities of surplus aircraft remain, there may be some reluctance to destroy the surpluses on the theory that they might have some useful reserve value. We are satisfied, however, that the utility of any such reserve would be infinitesimally small in comparison with its potential damage to aeronautical development.

While considerations of deterioration and storage costs alone may recommend the destruction of the useless remainder, we must look primarily to the disastrous effect which the retention of these remaining aircraft, for which there are no possible uses, would have upon military and civil aviation and, therefore, upon our national and international best interests. The reserve would be only of illusory value; it would nevertheless operate as a drug to the aircraft industry and a consequent impediment to the development of the aviation art. We cannot risk having our commercial air lines operate with inferior equipment and our national security imperiled by a weak aircraft industry. The useless remainder should be looked upon as what it really is—an expendable item—one of the waste costs of the war.

After any worth-while salvage of usable components in the otherwise useless remainder has been completed, we recommend that the balance be scraped. It will be no better than junk. The recommended scrapping should take place as soon as decisions to scrap particular aircraft are made. In any event, we recommend that the remaining surplus aircraft for which absolutely no use can be found be declared as scrap within 6 months after the Army and Navy have completed their declarations of this war's surplus aircraft and actual scrapping operations be concluded as soon as possible thereafter.

CENTRALIZED RESPONSIBILITY FOR POLICY

Surplus War Property Administration Regulation No. 1 designates the Reconstruction Finance Corporation as the disposal agency for surplus aircraft in the continental United States, its territories, and possessions, and the Foreign Economic Administration as the disposal agency for surplus aircraft abroad. We do not feel that the number of disposal agencies is of itself so important as is the matter of close coordination of disposal policies.

World-wide political and economic significance will be attached to surplus aircraft. There will be important questions of national and international policy which will be involved in the division of surplus aircraft between domestic and foreign markets, in the establishment of sales and pricing policies in both of these markets and in their interrelationships, in the specific allocation of transoprt aircraft, and in the general coordination of the disposal of surplus aircraft in the best interests of the United States. Policy determinations on these matters should combine national and international perspective, should be coordinated, and should be sensitive to conditions which are certain to be changing rapidly.

While all sales of aircraft abroad are subject to export licenses in accord with present practices, control of allocation of aircraft solely through export licenses would be insufficient since it applies only to foreign disposal and is purely negative. The affirmative considerations involved in surplus aircraft disposal policies do not enter into the exercise of export license controls. It is just as important for the Government to be able to indicate where these planes should go as to control where they should not go.

We believe that the Administrator should exercise a large measure of control in dealing with the surplus aircraft problem. Your appointment of a Director, Aviation Division, should permit the establishment of control and the centralization and coordination of leadership and responsibility which we believe to be necessary in the disposal of surplus aircraft. We make the following specific recommendations with respect to organization:

(1) That the Director, Aviation Division, under your authority, formulate all policies for the disposal of surplus aircraft, including, among other things, the authority to make divisions of quantities of surplus aircraft for domestic and foreign disposal, and so long as in his opinion it is necessary, to make allocations of transport types of aircraft to individual applicants;

(2) That there be established a Working Committee composed of respresentatives of the Department of State, the War Department, the Navy Department, the Department of Commerce, the Civil Aeronautics Board, the Foreign Economic Administration, the Reconstruction Finance Corporation, and such other Federal agencies as may be designated by the Surplus War Property Administrator, whose function it would be, subject to the authority of the Director, Aviation Division, to act upon matters specified in recommendation (1);

(3) That there be established an Aircraft Advisory Board, whose duty it would be, upon request of the Administrator, to serve in an advisory capacity to the Administrator on broad policy matters requiring interdepartmental consultation on a high policy level, such Board to consist of one member from each of the Federal agencies referred to in recommendation (2), and such representative of each agency to be designated by the head thereof.

INITIAL STEPS

The responsibility for the declaration of all surpluses rests with the owning agencies; in the case of surplus aircraft, with the military services. In order to assist in planning the disposal of surplus aircraft, we recommend that the Director, Aviation Division, maintain the closest possible liaison with the services on the availability of surplus aircraft.

We believe that the Director, Aviation Division, in addition to such studies as he may have made with respect to markets for and uses of aircraft, should have extensive studies made of the availability of storage facilities, the costs of storage, the rapidity of aircraft deterioration and the cost of preventing that result, the necessity of extracting and preserving any of the strategic materials which have entered into the manufacture of aircraft, and all other matters designed to prevent the Government from unwisely incurring large outlays in the handling of surplus aircraft. These matters are very complex. They will have an important bearing upon policy determinations.

PART 2

The specific recommendations for the five classes into which we have divided surplus aircraft are as follows:

CLASS A—TACTICAL AIRCRAFT

Large numbers of tactical aircraft will be declared surplus both at home and abroad. On the whole, they will be useful for military purposes only. The only significant permissible market for such tactical aircraft will be the governments of friendly foreign nations.

While it might prove to our national interest to have an international agreement limiting or prohibiting the international sale of combat aircraft, such an unanimous agreement is obviously not assured. Allocation of class A aircraft should be made only after proper clearance with the appropriate agencies of this Government and during the war no such allocations should be made without specific approval of the Joint Chiefs of Staff.

Some overhaul of any surplus tactical aircraft sold abroad would be desirable in order to protect the reputation of American manufacturers. Transfers on a "where is, as is" basis might be necessary, however, both to meet competition, and to avoid large expenditures for transportation and overhaul. Under these circumstances, every effort should be made to encourage arrangements between the purchaser-government and the original manufacturer for overhaul and continuing service. Inasmuch as any disposal abroad of surplus combat types would probably be in terms of large blocks rather than individual aircraft, it should be practicable to include with each sale the quantity of spare parts being held in storage for that number of aircraft. Where such spares exist in excess quantities, such distribution could be accordingly liberal.

In addition to the possible foreign military market, there may be a limited "sportsman" market among civilians for a few combat aircraft. The licensing powers of the Civil Aeronautics Administration should afford adequate control over this otherwise probably dangerous use. Also certain tactical types, such as photo reconnaissance, and observation aircraft, may have nonmilitary uses for which there is an approved demand. Any class A aircraft having other-than-military uses should have applied to them the policies recommended for the new class into which they fall.

Surplus tactical aircraft in excess of those required for international transfers and determined to have no commercial use should be transferred immediately to class E—unabsorbed surplus. No tactical aircraft should be permitted to remain for disposition under this section for a period beyond 4 months after such aircraft have been declared surplus, unless negotiations for transfer are pending. All such aircraft not disposed of within 3 years after the cessation of hostilities under policies recommended in this section should be transferred immediately to class E—unabsorbed surplus.

CLASS B—TRANSPORT AIRCRAFT

It seems probable that transport types of aircraft will ultimately exist in large quantities in relation to the commercial demand. Before this condition is reached, however, the supply-demand relation will probably be just the reverse.

While we have previously discussed the matter in some detail, we should like to emphasize at this point that during the period of short supply, and so long as in his opinion it is necessary during the period of sufficient supply, the Administrator of Surplus War Property should decide which air lines, both domestic and foreign, should have precedence in receiving surplus transport aircraft. He should effect an equitable distribution not only between domestic and foreign air carriers but also among individual air carriers in the domestic and foreign fields.

We should also like to reiterate our belief that while in general the needs of American operators should be given first consideration, it is of the utmost importance, from the viewpoint of international policy, economic rehabilitation, and the establishment of a customer base for future aircraft markets, that a number of these aircraft be made available as soon as possible to foreign operators; our national interest requires that aircraft be allocated to foreign operators even while the needs of American carriers are being met.

Because of the importance to our aircraft industry of establishing factory-customer relationships at the earliest possible date, both at home and abroad, we recommend that aircraft manufacturers be permitted to act as the Government's agent, at reasonable fees, in disposing of surplus transport aircraft. This

policy should not be exclusive. It will undoubtedly be desirable for the disposal agencies to participate directly in the disposal of surplus transport aircraft.

In the foreign field, we recommend that the experience gained by the Defense Supplies Corporation be utilized in connection with the disposal and allocation of aircraft abroad. Foreign disposal negotiations should, where possible, be conducted with the ultimate user rather than the user's government. Such negotiations, however, should be so handled as to time and character that they will facilitate and not impede negotiations of the United States and foreign governments on general international aviation policy; this integration of purposes should be achieved through the functioning of the Aircraft Advisory Board recommended in part 1 of this report. It is our present information that only a very few serviceable transport types of aircraft will be declared surplus abroad. To the extent that the foreign demand is met, the necessary aircraft will therefore probably come from those declared surplus within the United States.

Surplus transport aircraft generally will require overhaul to first-class condition. Modification and refurbishing to eliminate certain of the military characteristics of the planes and to provide seats, soundproofing, and other passenger appointments will also be required.

We believe that prospective users, domestic and foreign, should take surplus transport aircraft "as is" and have the necessary overhaul, modification, and refurbishing done where they choose. While we believe that this work should go to the aircraft manufacturers, we believe that it should go there as the result of competition and competency on their part rather than as the result of assignment by the Administrator.

The aircraft manufacturers should be able to do better work at a more economic price than anyone else. They should develop their sales contacts and sharpen their initiative in pursuing this source of income in a free competitive market. It has been urged that the Administrator should assign some portion of this work to the manufacturers to give them business during the transition from war to peace. Such a course would be open to the risk of unduly favoring not only a class of manufacturers but also individual manufacturers in the class; also, the protection afforded might well tend to stultify the resourcefulness and competitive strength upon which the aircraft manufacturers will have to depend so much in the post-war world market. In addition, any policy of assigning work of this character to the manufacturer would require continuing supervision by the government over such assigned work. Thus, government personnel would be required to determine how much work is necessary, to assign the work, to inspect and approve the results, to control accounts and audit the pertinent records, and to approve the price. We believe these involvements should be avoided, if possible.

We recommend that transport aircraft be made available in the United States through lease, a terminable installment plan, or cash sale. The use of these three methods provides flexibility in the disposal process enabling the user to secure aircraft under whichever method best suits his particular needs. In the foreign field, changing conditions are more unfavorable and uncontrollable, and we believe the Administrator will have to exercise wide discretion in deciding whether one or more methods be made available to foreign users. We urge, however, that, within the limits of the practical necessities, the domestic users be given at least as favorable terms as those generally made available to foreign users.

The terminable installment plan is described in detail in the Harvard report. Under this plan, title to the aircraft is vested in the purchaser. The plan enables the purchaser to terminate his contract without recourse at any time after the expiration of 1 year. In order to assure greater user responsibility and penalize any purchaser who might abuse equipment and then return it to the Government, the purchaser should from the outset have a substantial equity interest.

In establishing pricing policies, we do not believe it feasible to have different prices depending upon the transportation use to which the aircraft are to be put; the pricing determinations should be uniform in method and approached from the point of view of air-line operations. In general, therefore, we believe that the pricing procedures recommended in the Harvard report should be followed. Briefly, these prices are based upon the yearly value in air-line use times the number of years in the expected economic life. The value in use is based on a depreciation rate which air lines considered appropriate in the pre-war period.

Under the foregoing briefly stated principles, a C–47 completely overhauled, modified, and refurbished, would have a use value of approximately $60,000. The "as is" price to the user should be fixed at a figure which, when it had added

to it a reasonable estimate of the cost of overhaul, modification, and refurbishing would equal this $60,000.

In the case of aircraft having larger capacity, additional desirable operating characteristics, and a longer estimated economic life, the cost to the user would be adjusted upward nearer the original cost of the aircraft. The cost of the "as is" aircraft to the user would always take into account, however, the estimated cost of the generally required amount of overhaul, modification, and refurbishing.

The Administrator, in making his determinations with respect to value in use and economic life, should consult extensively with both operators and manufacturers.

The prices determined upon should certainly be no higher than those suggested in the Harvard report. We believe that the prices should be designed to strike a middle ground between high prices resulting in extremely restrictive distribution and the practical giving away of the aircraft. We believe that a fixed price, which should remain as firm as possible during the disposal period, is more desirable than sale at auction. The term "price," as used here, covers disposal by sale, terminable installment plan, or lease.

The pricing policies recommended insure a fair return to the Government and a fair price to the user. Lower prices would probably only deprive the Government of financial return without securing a compensating wide distribution of transport aircraft. Before the war, the amortized capital cost of aircraft equipment in domestic air-line operation typically amounted to only about 8 percent of total air transport operating costs of approximately 35 cents per ton-mile or about 2.8 cents per ton-mile of pay-load capacity. This reality of air carrier operation would probably be the controlling factor in the use of most transport aircraft.

The prices resulting from the policies recommended are reasonable to both the Government and user and insure a wide distribution of transport aircraft for transport purposes. This wide distribution in turn creates overhaul, modification, and refurbishing work, provides markets for spare parts, establishes American equipment and manufacturers' outlets in foreign markets, promotes the development of air transportation on a broader scale, creates a continuing appetite for air transportation and aircraft among people who might not otherwise be users and customers, and will through generally increased world interest and activity in air transportation create much new air traffic.

While it is recognized that for disposal abroad there may have to be some variations from the terms of disposal in the domestic market, it is not believed that a discriminatory disparity should exist for the same types of aircraft in identical condition. The disposal agency must guard with great care against the danger of granting a special price on aircraft suitable for use in foreign air transport operations which will compete with United States operations.

The proposal has been made in some quarters that transport aircraft be disposed of through a lease agreement containing a provision for placing a part of the funds paid to the Government by the lessee in escrow to be credited to him against the purchase of a new American plane when available. We have given this proposal very careful consideration but recommend that it not be adopted.

We believe that in the domestic market newly designed planes will make the surplus aircraft obsolete and will force American operators to retire them at an early date. Neither coercion nor further encouragement to achieve this replacement of old with new equipment is believed necessary or desirable. To provide out of the rental or installment payments a credit which could be utilized for the purchase of new equipment would in effect be according a subsidy to American air-lines with the objective of supporting the manufacturers. It is believed that any subsidy support which may need to be accorded to the manufacturers should be made directly.

With respect to planes sold abroad, it is believed that such an arrangement would probably be resented and construed as an effort on the part of the United States to use its privileged position to force foreign operators to standardize on American equipment to the grave disadvantage of manufacturers in their own country or in other countries with which they maintain friendly relations. We believe that manufacturers should rely upon the superiority of their product to assure the winning and retention of foreign markets.

The Administrator should make every effort to insure a sufficient supply of spares for reconditioning and maintenance of the aircraft. Surplus spare parts should be sold through the manufacturers acting as the agents of the disposal agencies and secondarily through the disposal agencies themselves. Those who acquire aircraft should be urged to secure concurrently an adequate amount of

spare parts to service the planes which they acquire. It should be recognized, however, that there will probably not be an ideal balance between available surplus aircraft and spare parts.

We recommend that after the war technical possession of all lend-lease transport aircraft not otherwise disposed of under international agreements revert to the United States. As soon as this has occurred, each airplane should be placed immediately under the jurisdiction of the Administrator and should be disposed of under the same policies as aircraft declared surplus by the armed forces.

An examination should be made at frequent intervals of the supply of and demand for transport aircraft. Whenever, in the judgment of the Administrator, it becomes apparent that aircraft cannot be disposed of under the policies recommended herein the Administrator should transfer to class E—unabsorbed surplus—those aircraft which are in excess of the prospective demand. Transport aircraft should not be permitted to remain for disposition under class A policies for a period beyond nine months after such aircraft have been declared surplus and made available to possible purchasers or lessees unless, of course, negotiations for the purchase or lease of such aircraft are pending. Such planes should be transferred to class E—unabsorbed surplus. At the expiration of the three-year period all transport aircraft not disposed of should be transferred to class E.

CLASS C—PERSONAL AIRCRAFT

In addition to the expected large numbers of surplus tactical and transport type aircraft, there will be sizeable quantities of airplanes, principally single-engined, up to about 11,000 pounds gross weight, suitable for nonmilitary uses and adaptable to personal flying, fixed-base operations, training, and a wide variety of miscellaneous uses by governmental departments and private corporations.

A heavy demand will exist for the relatively small number of light aircraft types. Large numbers of heavier primary and basic trainers will exceed the probable demand. There will be a smaller number of advanced single and twin engine trainers and small personal transports; the demand for these aircraft will vary greatly ffom one model to the other and some of them will be usable as small transports.

During the period of short supply on planes usable as transport aircraft, the policies applicable to class B—transport aircraft—should be used; after the passage of a reasonable time in which the transport demand can be met, the class C policies should be applied. Whether sold for individual or transport purposes, however, there should be a uniform pricing policy for this type of aircraft.

Prompt disposal of aircraft suitable for personal use is important. The earlier in the war planes become available, the greater will be the price the private owner is willing to pay, the greater the return to the Government, and the less will surplus distribution of these types adversely affect future personal aircraft markets. Furthermore, the more quickly such planes are sold, the less damage and deterioration will occur from storage.

As the planes are declared surplus, it may be desirable to have them inspected individually by Civil Aeronautics Administration inspectors for airworthiness. If this is done, the blocks on which inspections are requested should, in order to reduce the inspection problem, be limited to numbers which appear to be readily marketable in the near future. Insofar as practical, however, it is preferable to have airworthiness inspection preparatory to certification and registration take place subsequent rather than prior to sale.

Planes which are in an airworthy condition or need but a relatively small amount of work to make them so should be sold before any needing extensive repairs are offered. Planes should be available for inspection and sale at as many points throughout the country as possible consistent with available storage and efficient utilization of security and maintenance personnel.

Class C aircraft should be sold on an "as is" basis; they should be disposed of by outright sale in such manner and at such prices that the widest distribution and greatest use will be obtained as quickly as possible, consistent with reasonable proceeds to the Government. The industry is in substantial agreement with our belief that this policy, far from hampering the market for post-war designed personal planes, will create new customers for such planes.

A well organized disposal organization for class C aircraft already exists in the War Training Service of the Civil Aeronautics Administration.

A disposal organization duplicating that of the War Training Service should be avoided, and it would seem wise for the Reconstruction Finance Corporation to

use the existing War Training Service organization in some appropriate manner for the disposal of the strictly personal aircraft.

Fundamental in the pricing policies should be the avoidance insofar as possible of accepting prices during the war lower than those that appear attainable after the war, taking into account storage costs and deterioration. The planes handled by the War Training Service are being disposed of on a sealed-bid basis, all bids being subject to refusal. We believe that this method is the most generally suitable one for those models which do not need sales efforts.

For those models which will be difficult to move, we believe the exact method of pricing should be a matter for administrative determination. Nevertheless; we wish to point out that the fixed-price system combined with quantity discounts and commissions on sales of consigned planes comparable to those in the trade would not only obtain maximum distribution consistent wth reasonable return to the Government but also would provide inducement to sales effort on the part of personal plane manufacturers and dealers, thus furnishing their organizations, which are highly important to the industry, with a means of livelihood to tide them over the remaining war period. It does not seem practical to combine with a bid system provision for quantity discounts or even for commissions. Deductions from fixed prices to compensate for usage and condition and for repairs and conversion can be estimated for each plane by Reconstruction Finance Corporation or War Training Service inspectors. Care must be taken, however, to prevent such estimates from being regarded as commitments or guaranties, as an official Civil Aeronautics Administration inspection subsequent to sale will be necessary before the purchaser can get the plane certified or registered.

All sales should be for cash. This will assist in minimizing speculative purchases. This class of purchase can be further guarded against by limiting the number of planes purchased by any one purchaser and the percentages of discounts and commissions.

In conducting the sales, it is essential that individuals as well as dealers and manufacturers be able to make purchases direct from the Government. Furthermore, adequate components, parts and accessories should be conveniently obtainable at reasonably low prices and in ample quantity and variety. Care should be taken to see that the amounts and types of such equipment in storage continue in some defined ratio to the number of corresponding planes in use or estimated to be in use at some future date, say 2 or 3 years.

Commercially, there will doubtless be a substantial oversupply of the training type plane. If such planes were available at low prices or on a lease basis, they would be appropriate for most college-type training programs. Rather than transfer immediately to class E—unabsorbed surplus—any oversupply of training type planes, we believe that a number of such planes, together with components, parts and accessories, should be retained in adequate dead storage in class C pending the time when such programs are begun, provided such programs are initiated within 3 years from the end of hostilities.

We have up to this point been speaking of the disposal of surplus class C aircraft in the domestic market. The sale of such aircraft abroad is important to the American aircraft manufacturing industry, and it is desirable that a reasonable number of light aircraft be made available for export sales as rapidly as possible.

As far as exports of class C airplanes to civilian as distinct from military purchasers are concerned, it is important that the planes be in first-class condition. We therefore recommend that these airplanes be exported through normal trade channels to the maximum extent possible. The buyers should be encouraged to use export firms, dealers, and manufacturers as their agents.

With some specific exceptions, the previous recommendations also apply in general to class C aircraft already situated abroad. In the first place, aircraft which because of their inherent characteristics are unsafe for private use should not be sold to private customers. It will be neither practical nor necessary, however, to follow the detailed licensing and inspection procedure suggested for aircraft situated in this country. For example, aircraft situated abroad need not necessarily be modified to meet the requirements of a United States approved type certificate. An inspection generally similar to that being made in the United States will be necessary, however, for the purpose of establishing price.

It is impossible at this time to determine the exact method of pricing which will best meet the requirements of various foreign markets. While we believe the fixed price system appears in general to be the most desirable method, we recognize that the policies in the foreign field will have to be left flexible in order to meet the peculiar and varying circumstances which may be presented from time to time. We should like to stress only that there should not be a serious spread between the domestic and foreign price for equivalent types of aircraft in equivalent condition.

Airplanes of this class situated abroad may be sold "as is" but not necessarily "where is." Care should be taken, however, to see that when planes are sold "as is" there is good reason to believe that they will be put in proper flyable condition. It may be desirable to ship airplanes to places where an active market for certain types exists.

When it has been determined that there is no further domestic or foreign market for class C aircraft, they should be transferred to class E—unabsorbed surplus. The program for the distribution of surplus class C aircraft should be pursued vigorously and should be completed prior to the expiration of three years following the cessation of hostilities.

CLASS D—AIRCRAFT EQUIPMENT AND COMPONENTS

Airframes of military, transport, and personal types of aircraft will naturally be disposed of not only with the components and parts attached to them but also with a complement of spares and suitable equipment. Aviation equipment, components, and spare parts will probably nevertheless remain in large surplus quantities.

Within this class of surplus there will be large engines (1,650-cubic-inch displacement or larger), propellers therefor, instruments, synthetic training equipment, spares, and component parts unique to these items. There will be such a large surplus of unused equipment of this character that it may be impossible to sell used items. With the possible exception of certain smaller instruments, however, which do not require special servicing and which could be sold directly by the disposal agency, it is nevertheless recommended that this group of equipment should be inspected by the manufacturer who originated the design or by persons he may license. A standard inspection fee should be set. If overhaul is required of either new or used equipment, the work should be controlled or supervised by the Government. Overhaul should not be undertaken of equipment so long as there is equipment available which does not require overhaul. Whenever it is practicable, these policies should be followed for equipment located outside the United States.

The manufacturer should receive this equipment on consignment and then act as agent for the Government in effecting disposal. Because dependability is vitally important and because of the servicing and distributing organizations already built up, the original manufacturers seem best equipped to inspect, overhaul, and sell this surplus equipment. All equipment inspected or overhauled by the manufacturers should carry the guarantees customary in the trade.

A strong airframe industry is not effective without a strong group of component manufacturers. The primary consideration in pricing, therefore, should be the encouragement of technical development by the manufacturers of this equipment, who are vital to our national defense. While the price should be low enough to force the manufacturers to develop improved products in order to compete with the surplus, it should also be high enough so that there is a real chance to develop and sell new products instead of surplus ones. A fixed sales price of not less than 75 percent of the cost as shown on the Surplus War Property Administration Reporting Form or of the replacement cost would appear at the present time to meet the pricing requirements just specified. This price is the same as that currently authorized to be used by the disposal agencies under the provisions of Surplus War Property Administration Regulation No. 1. If it becomes necessary to dispose of used equipment, the pricing policies should be adjusted slightly downward to take into consideration its age, use, and condition.

The price to be charged different classes of purchasers should be uniform. Since the cost of selling and servicing differ greatly for the various purchasers, however, it is recommended that the Government adopt the discount policies prevalent in the trade.

One exception should be made to the uniform price policy. Certain instruments and radio equipment for installation on light planes to be used for flight training should have a low price, but not less than 10 percent of the cost. The allocation of this equipment should be made by the Director, Aviation Division, after considering the recommendations of the Civil Aeronautics Administration and regulations should be established to prevent its use for other than training purposes. The blind flight group of instruments is, for example, far too expensive, except in rare instances, to be used by small plane owners. In order to advance the development of civil aviation, and create a military reserve value, it should be highly desirable to have as many civilian pilots as possible become accustomed to instrument flying with military-type equipment.

It is also recommended that purchasers be permitted to turn in to the disposal agency old equipment of substantially similar type, and be entitled to a fair trade-in allowance. Such trade-in allowances should not be allowed to destroy the incentive to develop new products for use on new post-war planes. As long as improved post-war products could find a market on new post-war planes, some reasonable balance between components and airframe production and development could be maintained.

Due to the high cost of storage, the physical deterioration, and the design obsolescence of equipment in class D, it is recommended that disposal efforts should not continue beyond 3 years after the cessation of hostilities. Whenever it is determined that equipment cannot be disposed of within or at the expiration of such a period, it should be transferred to class E—unabsorbed surplus.

The foregoing discussion has related to large engines, propellers therefor, instruments, synthetic training equipment, spares, and component parts unique to these items.

The component parts for class C aircraft should, in general, be consigned to dealers and fixed-base operators for sales distribution.

It is not considered essential that smaller and miscellaneous aviation equipment, components, and spare parts, the producers of which, from the military viewpoint, are typically of less military importance than the manufacturers of the larger and more complex aircraft equipment and components, be sent to the original manufacturer for inspection, overhaul, and sale. Many products in this smaller and miscellaneous group are likely to find their major market in sales for nonaviation uses. Equipment sold for aviation purposes can be overhauled and serviced by many persons other than the original manufacturer. It is recommended that the pricing policies and methods of sale for the smaller and miscellaneous aircraft, equipment, components, and spare parts should, so far as feasible, be similar to those recommended for class C—personal aircraft.

CLASS E—UNABSORBED SURPLUS

Whenever it is determined that there is no acceptable foreign military demand or no acceptable commercial demand, domestic or foreign, for surplus aircraft in classes A, B, C, and D, they should be transferred to class E or what has been termed the "unabsorbed surplus." Surplus aircraft should also be transferred to class E when they are no longer useful or desirable for flight because they are unserviceable or when considerations of storage and deterioration do not justify their retention for possible future sales. Finally, when the period for the distribution of surplus aircraft in the other four classes has expired, all the remaining surplus aircraft in those classes should be transferred to class E.

The most important use to which equipment in class E can be put is educational. The training of thousands of future aviation specialists in this country is considered of primary importance in support of aviation. A general familiarity with airplane and engine equipment on the part of high-school and college students is also highly desirable.

The most important educational uses are for specialized ground training for persons planning to use such training in aviation work, for shop training for technical or general educational purposes at the college level, including such uses as radio equipment utilized in physics laboratories, for shop training in manual or general educational programs at the high-school level, and for exhibition in museums, educational institutions, public buildings and places, and civic organizations.

Comprehensive information on the subject of disposal of surplus aircraft to public institutions, including background data on the types of institutions involved and the factors affecting distribution, is available in the War Department and the Civil Aeronautics Administration.

We recommend that equipment in class E be sold or donated rather than loaned to educational institutions. Prices to all public and non profit institutions should be uniform, nominal, and based upon delivery at the site of the institution. We believe that prices for trade schools operated for profit should be somewhat higher.

A policy of sales at nominal prices is preferred to outright donations; the prices established should cover as nearly as possible crating and transportation costs to the Government. In order to reduce transportation costs, surplus disposal fields and depots should be located at widely distributed points. So that costs to educational institutions may be kept uniform, transportation expenses to distant and nearby points can be averaged to achieve the single-price policy. The wide distribution of class E aircraft is so important, however, that prices must be kept within the range of the budgets of the institutions involved. If the proceeds of

such sales do not cover the cost of crating and transportation, special legislation on the subject should be considered.

The Reconstruction Finance Corporation should establish a separate division to handle these sales and to coordinate their activities and policies with those of other interested Federal agencies and with State agencies.

The institutions receiving the surplus aircraft equipment should agree to use it not for flight but only for educational purposes. They should further agree to use such equipment for a period of at least 3 years.

It is entirely possible that educational institutions abroad will want class E aircraft. Disposition in this manner should be encouraged to the maximum extent among friendly nations, but the costs of transportation will be a substantially limiting factor except where such equipment is located abroad.

Experimental uses offer a second possible method of utilization of class E aircraft. Care should be taken to have the potential user establish the legitimacy of his experimental project before transferring equipment to him. This is essential to prevent such equipment from falling into irresponsible hands. The same policies and restrictions governing sales to trade schools operated for a profit should apply to these transfers.

It is probable that a demand will exist for certain types of class E equipment, ranging from complete aircraft to propellers, for memorial purposes. Municipalities, public institutions, civic organizations, veterans organizations, hospitals, and others will constitute the potential users in this field. Transfers for this purpose should be controlled to assure that care is exercised in maintaining the equipment on display in reasonably good condition. The policies and restrictions applicable to transfers to public and nonprofit educational institutions should be controlling in this type of disposition.

We have thus far dealt generally with class E equipment located both at home and abroad. Referring specifically to such equipment located at foreign bases, we believe that the bulk of it should be distributed by the Foreign Economic Administration to nearby friendly foreign nations for nonflight purposes. When practical this distribution should be handled through the United States ambassador or minister to the country concerned. This character of distribution should be encouraged because it may aid in creating better foreign relations and because the only alternatives are scrapping or incurring the expense and waste of shipment to the United States. Equipment should be shipped to the United States "as is" only if there is a shortage of certain models desired for reasonably important educational or exhibit uses here, a condition not likely to exist.

Class E equipment which has not been transferred for educational, experimental, or memorial purposes should be made available for any other useful nonaviation purposes which may appear either as the result of study or demand. Assurances should be secured that equipment obtained for such additional uses will not be used for flight purposes. When no further uses can be found for class E equipment, they should be salvaged.

The quantity of equipment falling into class E will be very large. Component parts, including instruments, of some of this equipment may be saleable. Therefore, in spite of the fact that there will exist huge surpluses of spare parts and components in the major components class, it may be worth while to reclaim certain items at the time the equipment is salvaged. A list of such items should be prepared in advance by the Reconstruction Finance Coproration and the Foreign Economic Administration in their respective jurisdictions.

All equipment not containing saleable items and all equipment having been stripped of such items should then be scrapped under the supervision and control of the disposal agencies. The work of disassembling, and reclaiming saleable components, and preparing residual parts for sale as scrap of large quantities of aircraft and aircraft equipment is likely to be of such magnitude that it would be a major industrial operation. A salvage test will be made in the near future with a four-engine bomber in order to ascertain the cost in labor and time of this reclamation work. If it is determined to be economical to proceed with disassembling aircraft on this basis, the Reconstruction Finance Coproration should give consideration to the possibility of contracting with aircraft manufacturers whose war contracts have been terminated or materially reduced to undertake the reclamation work. This method of issuing salvage contracts would serve to give employment during the period of readjustment and create an interim use for Government-constructed facilities.

Aside from special considerations for strategic materials, the decision to scrap abroad should be governed by the scrap price level in the United States and abroad, the cost of transportation, and the cost of destroying.

Equipment should not be permitted to accumulate in class E over an indefinite period; it should be scrapped as rapidly as a determination is made that there is no appropriate use to which it can be put. In no event should this equipment be permitted to accumulate beyod a period of 6 months after it has been transferred to class E.

CONCLUSION

We stated at the beginning of this report that the fundamental objective in the disposal of surplus aircraft should be the maintenance of American excellence in aviation. So far as we can now see, we believe that the recommendations which we have made will achieve that objective. Although adaptations of specific policies to meet the changing demands of current circumstances may be necessary, the fundamental objective must be kept steadfastly in mind. We are certain that this objective is permanently sound.

Respectfully submitted.

SURPLUS AIRCRAFT ADVISORY SUBCOMMITTEE,
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MANAGEMENT PLANNING, INC.,
Washington, D. C., August 3, 1944.

Senator JAMES A. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR: In accordance with our recent conversation on the subject, there is enclosed a series of recommendations with respect to the disposal of surplus Government property. These suggestions have been personally discussed with the clients of Management Planning, Inc., who are most concerned with a proper solution of the problems involved. As you know, the clients of Management Planning, Inc., are predominantly small business concerns which have converted their plants to the production of all types of war materials.

We believe, and the majority of our clients concur, that it is the primary responsibility of private business (small as well as large) to provide jobs for war workers and returning veterans during the reconversion period and after both wars have been won. Consequently, each of the recommendations contained in the enclosed document has been formulated with the view to assuring the continuing existence of the greatest possible number of jobs in private business.

It is our firm belief that each individual article or pound of raw material declared to be surplus and then sold for use or consumption in this country may prevent the employment in private business of at least one war worker or returning veteran. You will note, therefore, that, with the exception of certain raw materials, we have suggested that if a foreign market exists for any article or material declared to be surplus, such article or material should not be sold for use or consumption in this country, unless needed for war production purposes. We believe that such a policy should be adopted regardless of the current demand in this country for such articles or materials. There simply will not be available the needed jobs if surplus property is sold primarily for use or consumption in this country.

It is realized, of course, that foreign markets cannot absorb all of the surplus which will become available. We have recommended, as a result, certain methods by which these surpluses should be disposed of in the domestic markets. Keeping in mind that it is of the greatest importance to maintain full employment, our recommendations with respect to domestic disposals are based upon two major propositions. They are that (1) the disposal agency should make sales only after advising and consulting with respresentative industry committees and (2) the property should be placed in the normal channels of distribution as near the manufacturing level as possible.

Since most of the Government plants to be declared surplus were built at excessive costs, it is doubtful that very many of the existing options (at least those held by small business concerns) to purchase such plants will be exercised. In addition, most of the present operators of such plants do not now know, nor will

they know at the time the plants are no longer needed for war production, whether they can economically use them after the war. As a result, it is our belief that, if the operator of a plant should not purchase it, when no longer needed for war production, a "breathing spell" should be given to him in the way of a lease, if he so desires.

You will also note that we have suggested that the Government should be prohibited from operating a surplus plant. It is believed that the Government should either dismantle plants which cannot be disposed of to business concerns or should use such plants for stand-by facilities or for storing only Government property. The reason for such suggestion is the belief that the Government should not compete in the industrial field with private business, so long as it is to be the responsibility of private business to provide jobs for war workers and returning veterans.

I am sure that you realize that the enclosed suggestions do not constitute a "blueprint" of the perfect solution for the surplus property disposal problem. The ramifications of that problem are myriad and can, in my opinion, be suitably solved only by an exchange of ideas and compromises, as you so ably directed and brought to a successful culmination when contract termination legislation was "in the mill."

Sincerely,

ROBERT W. MCMILLAN.

RECOMMENDATIONS FOR SURPLUS PROPERTY DISPOSAL LEGISLATION

The following recommendations do not include within their scope (1) the disposition of real property upon which is not located an industrial plant, (2) the disposition of any surplus property to States, counties, municipalities, or to schools, eleemosynary institutions, war-veteran organizations, or other nonprofit organizations, (3) the disposition of combat ordnance, or (4) the disposition of vessels in the maritime service or any other water craft owned by the Army, Navy, or Maritime Commission. The following recommendations concern only the disposal, by sale or otherwise, of other classes of surplus property to persons or organizations (other than those heretofore mentioned) for the production of other property, for the rendition of certain services, for general consumption or use, or for export to foreign countries.

(Plants, facilities, equipment, articles, commodities, and materials determined to be needed for stand-by purposes or as reserves are, of course, not considered as surplus for the purpose of these recommendations.)

At the outset, since it will be uneconomical to return to this country, in any great quantity, Government-owned property which is or will be in foreign countries when declared to be surplus, such property should be sold or otherwies disposed of in such foreign countries. In this connection, it is believed that sales made in foreign countries or sales made for export to foreign countries should be made subject to a restrictive prohibition against return to this country for use or consumption.

A. SURPLUS PLANTS

1. Legislation concerning disposal of surplus plants should include a specific prohibition against Government operation of any such plant. As a modification of such prohibition, however, use as a warehouse for the storage of Government property only or for the manufacture of munitions (in the strict sense of that word) should be permitted.

2. Any individual or corporation having an option to purchase or otherwise acquire any plant from any agency of the United States should be permitted to exercise such option. If such individual or corporation does not desire to exercise such option, the disposal agency should be authorized to negotiate with such individual or corporation for terms and conditions different from those provided for in the original option agreement. If a price satisfactory to the disposal agency cannot be negotiated with such individual or corporation, such individual or corporation should be permitted to lease such plant at a reasonable rental for periods not in excess of 3 years each. The annual rental for any such plant should be an amount which does not exceed the lesser of (1) normal depreciation or (2) 10 percent of the original cost. At any time during the life of any such lease or renewal thereof, the lessee should be permitted to purchase such plant at its then fair market value. If the lessee discontinues the use of the plant during the life of the lease or if, at the end of a lease period, the then lessee does not renew the lease and does not exercise his right to purchase such plant, it should be sold at

its then fair market value or leased to anyone else at a similar rental. If no other purchaser or lessee can be found for such plant, it should be dismantled or used only as a Government warehouse for the Government's own property or for the manufacture of munitions (in the strict sense of that word) or should stand idle as a stand-by facility.

3. Except as provided in paragraph number 5 hereof, a surplus plant should not be sold or leased to any other individual or corporation until the operator of the plant has had all reasonable opportunities to acquire such plant.

4. In the case of any addition to a privately owned plant, the following should be required:

(*a*) If there exists an option in the operator to purchase the addition to his plant, the operator should be permitted to exercise such option.

(*b*) If the operator does not wish to exercise the option, or if no option exists, the operator should be permitted to negotiate with the disposal agency for the purchase of such addition at its then fair market value.

(*c*) If the operator is unable or does not desire to purchase the addition at a price satisfactory to the disposal agency, the operator should be permitted to lease the addition for a rental for periods not in excess of 3 years each—the annual rental to be an amount which does not exceed the lesser of (1) normal depreciation or (2) 10 percent of the original cost.

(*d*) At any time during the life of such lease or renewal thereof, the lessee should be permitted to purchase such addition at its then fair market value.

(*e*) If the lessee does not renew the lease or does not purchase such addition, and the addition is not susceptible to an independent use, then the Government should be required to dismantle such addition, unless the building or buildings to which the addition was made are purchased by the Government.

(*f*) If the building or buildings to, or around, which the addition has been constructed are purchased by the Government, then the Government may sell the entire plant (original structures and addition) to any other purchaser at the entire plant's then fair market value or lease the entire plant to someone else at a similar rental.

(*g*) In such a circumstance, if no other purchaser or lessee can be found for the entire plant, it should be dismantled or used only as a Government warehouse for the Government's own property or for the manufacture of munitions (in the strict sense of that word) or as a stand-by facility.

5. No plant should be sold where the result of the sale would be contrary to intent of the antitrust laws.

B. OTHER SURPLUS PROPERTY (PRODUCER AND CONSUMER GOODS, RAW MATERIAL, AND PARTIALLY FINISHED ARTICLES)

1. Producer and service goods and supplies.

Included in this category are only such completed articles and facilities as are used or capable of use for purposes of production or transportation or other services, such property being, among others, manufacturing equipment and supplies (other than raw material); trucks, freight cars, locomotives, airplanes, and completed parts of any thereof; and commercial laundry equipment, surgical and hospital equipment, office equipment, farm implements, and completed parts of any thereof.

(*a*) Any individual or corporation having an option to purchase any such plant facility or equipment or any such article located in any plant owned or operated by such individual or corporation, or any such article, facility, or equipment which is otherwise used by an individual or corporation, should be permitted to exercise such option.

(*b*) If the exercise of such an option will require the acquisition of all Government-owned facilities or equipment in the plant, or any Government-owned article, facility, or equipment so used, or certain of such articles, facilities, or equipment not wanted by any such individual or corporation, the disposal agency should be authorized to permit the acquisition by any such indicidual or corporation of such portion of the whole os is desired by such individual or corporation and at a reasonable price.

(*c*) Authority should be granted to the disposal agency to sell or otherwise dispose of for export purposes, or to itself export, any or all property coming within the classification of producer or service goods or supplies. Terms and conditions with respect to such disposals should be such as to provide as great a return (dollars or in future trade) to the United States as is possible, in the circumstances. If he so desires, the original manufacturer should be given an opportunity to recondition, if needed, any such goods or supplies before being so disposed of or before being exported.

(*d*) Authority should be granted to the disposal agency to sell producer or service goods or supplies in the domestic market, other than as specified above, when, but only when, such agency determines that there exists no market for such goods or supplies in any foreign country. If he so desires, the original manufacturer should be given an opportunity to recondition, if needed, any such goods or supplies before so disposed of.

(*e*) In case it is so determined that no foreign market exists for a particular type of such goods or supplies, the disposal agency should be required to first offer, at a reasonable price and on reasonable credit terms, such goods or supplies to the original manufacturer. The disposal agency should be required to consult with representative industry advisory groups or committees concerning such methods of distributing each particular product of the industry concerned as will foster and maintain the highest possible level of employment in this country.

(*f*) In case of nondisposal to such manufacturer, then, the disposal agency should be permitted to sell such goods or supplies to all persons normally engaged in the distribution of such goods or supplies. Such goods or supplies should be offered in such lot sizes as to permit acquisitions by bona fide small business concerns, whether or not they were theretofore engaged in such activity.

(*g*) If any such goods or supplies are not sold as heretofore provided, they should be destroyed or broken up and disposed of as scrap. Adequate penalties should be provided for to assure that material sold as scrap is used only as scrap.

2. Consumer goods.

Included in this category are all such completed materials or articles (other than those heretofore included within the category of producer or service goods or supplies) which are ordinarily purchased by and used or consumed (on a short-time or long-time basis) by the general public and which are produced for such use or consumption. Among such articles and materials are automobiles, household appliances, home furnishings, food, wearing apparel, recreational equipment, etc.

(*a*) Authority should be granted to the disposal agency to sell, or otherwise dispose of, for export purposes, or to itself export, any or all property classified as consumer goods. The terms and conditions regarding such disposals should be such as to provide the greatest return to the United States as the circumstances justify.

(*b*) Authority should be granted to the disposal agency to sell consumer goods in the domestic market only when it is determined by the disposal agency that (1) they are perishable and their export is not feasible or (2) there is no foreign market for the particular goods.

(*c*) Any such goods not exported should be disposed of through normal distribution channels, or such other manner as the disposal agency deems proper, after consultation with representative industry advisory groups or committees concerning such methods of distributing each particular product of the industry concerned as will foster and maintain the highest possible level of employment in this country. All purchasers should be given ample opportunity to inspect and purchase such goods or commodities; and the disposal agency should be required to offer such goods or commodities in small enough lots for purchase by bona fide small business concerns.

3. Partially finished articles.

Unless the completion of partially finished articles will be useful to the Government for purposes of stores for future military needs or will bring a greater return in the export market in a completed condition, all such articles should be broken up and disposed of as scrap for use in its raw state, if reducible to such condition. If not reducible to such a condition, parts which are so reducible should be scrapped and the remainder destroyed. In case of sales as scrap, suitable penalties should be provided for to assure use only as scrap.

4. Raw material.

Included in this category are (1) products of a mine, oil or gas well, or other mineral or natural deposit, or timber, which has not been processed, refined, or treated beyond the first form or state suitable for industrial use and (2) any other materials which are commonly considered by industry to be raw materials, such as copper wire, tool steel, electric alloy steel, sheet steel, and aluminum. This category does not include any article commonly considered by industry as a component part of another article.

(a) Such quantities of raw materials as are anticipated will be needed for a reserve against future emergencies should be stock-piled.

(b) Since raw material is the basis for all production, authority to dispose of any raw materials for export purposes should be limited to only such excesses of such materials as are determined by the disposal agency not to be needed for current or future domestic production. Disposals of such materials should be made (whether for domestic use or for export) only after consultation with representative industry advisory groups or committees and should be made in such a manner as will least disrupt current and future markets for such materials.

(c) If in a processed form or condition and no foreign or domestic market exists while in such form or condition, the disposal agency should be authorized to dispose of any such material for scrap, with suitable penalties provided for to assure its use only as scrap.

(Whereupon, at 12 o'clock, the committee recessed to 2 p. m. of the same day.)

AFTERNOON SESSION

The CHAIRMAN. Gentlemen, we will come to order.

Before calling this afternoon's witness on the pending surplus-property legislation, I would like to state my firm conviction that this legislation must contain adequate provisions for the stock piling of strategic minerals and metals.

Many years before the present war, I and other members of the Senate stressed the necessity of stock piling minerals and metals to be used in the event of any future emergency. If our recommendations had been fully carried out, we would have been better prepared for the conversion of our economy from peace to war.

When the war is over, the Government will have in its possession a large supply of minerals and metals that may well serve as the basis of a stock pile for future emergencies.

Accordingly, I have prepared, for the purpose of discussion and comment, a preliminary draft of a section on the stock piling of critical and strategic minerals and metals. This draft reads as follows:

PRELIMINARY DRAFT ON STOCK-PILING OF CRITICAL AND STRATEGIC MINERALS AND METALS

SECTION —. All Government-owned accumulations of strategic minerals and metals, when declared as surplus and not subject to utilization by other Federal agencies, shall be transferred to the account of the Treasury Procurement Division to be held as a Strategic Minerals and Metals Reserve for the national defense and security, during the present war and in the event of a future war emergency. Any of the materials in the Strategic Minerals and Metals Reserve may be subject to such care and handling as is necessary or desirable to adapt them to storage and subsequent use and to prevent waste or deterioration. As used in this section the phrase "strategic minerals and metals" means all minerals and metals included in either Group A or Group B of the list of strategic and critical materials determined upon by the Army and Navy Munitions Board, as of the effective date of this Act, and shall include ores, concentrates, alloys, scrap, and partially and completely fabricated articles of which the principal components by value consist of such minerals and metals, but shall not include such fabricated articles as the Army and Navy determine are not suitable for storage and subsequent use for the national defense and security in the form in which fabricated and which may be disposed of commercially at values substantially in excess of the value of the component minerals and metals.

The hearing was called this afternoon to permit Mr. Olsen, who came here from Michigan, to present his statement. We are very glad to hear from Mr. Olsen now.

STATEMENT OF HERBERT A. OLSEN, PRESIDENT OF THE AMERICAN MUNICIPAL ASSOCIATION, AND DIRECTOR OF THE MICHIGAN MUNICIPAL LEAGUE

The CHAIRMAN. Before commencing your testimony I wish to say that Senator Moore is in attendance this afternoon. Senator Moore, you are at liberty to ask any questions you desire.

Senator MOORE. Thank you.

Mr. OLSEN. I have prepared a statement, and I would like to read that, if I may.

The CHAIRMAN. Proceed.

Mr. OLSEN. The American Municipal Association, with offices at Chicago and Washington, is the national federation of the 42 State leagues of municipalities. The State leagues are comprised of 8,700 American municipalities which range in size from the smallest village to the second largest city and represent more than 80 percent of the Nation's urban population. The services of the American Municipal Association are financed by voluntary payment of dues by governing boards of municipalities from municipal funds and from foundation grants. The association is a nonprofit and quasi-official institution whose policies and practices are established and directed by an executive committee elected in an annual convention of representatives of the member municipalities of the State leagues.

This statement was prepared by the executive committee in collaboration with the association's advisory committee and in cooperation with the permanent secretariats of the 42 State municipal leagues. The statement reflects and voices the general attitudes of the governing boards of the 8,700 municipalities which comprise the respective State leagues of municipalities.

The executive committee of the American Municipal Association respectfully submits the following statement with reference to the distribution and sale of surplus Federal property:

1. Federal property surplused in time of war and Federal property surplused normally in time of peace should be disposed of in the same manner, and such manner should be prescribed by Congress.

2. The American Municipal Association urges that Congress enact legislation containing specific mandates and limitations with respect to the policy and operation of any agency which Congress charges with the responsibility of disposing of Federal surplus property.

3. In this connection, the association recommends that both time and price preferences be authorized by Congress with respect to disposal of surplus Federal property to the States and subdivisions and agencies and instruments thereof.

(*a*) Time preferences should be authorized and extended in such manner that Federal surplus property which might be needed by any State or local government would be held for a reasonable period of time in which all State and local governments would be adequately notified of the availability of such surplus and could effect an acquisition thereof.

(*b*) Price preferences should be authorized in such manner that the Federal agency having responsibility for the disposition of Federal surplus property would offer such property for sale to State and local governments at prices not in excess of its market value and would be empowered to dispose of such property to State and local governments at prices below the market value.

4. While under some conditions and in some circumstances outright grants of Federal surplus property to State and local governments would be desirable and practical, the association is not willing to recommend that such property be generally distributed to State or local governments on a gift basis.

5. In this connection, the association recommends that provision be made for periodic notice, and for establishment of a practical means of advice, to State and local governments, as to the nature, condition, and quantity of various items of Federal surplus property which from time to time are available for sale.

6. It is recommended that Congress authorize the devising by the responsible Federal agency of policies and procedures which conform to as great extent as possible with the policies, practices, and procedures of each State and local government with respect to warranties of quality, examination of goods prior to purchase, examination before acceptance but after shipment, and so forth, and that Congress also authorize conformance with State laws or municipal ordinances and policies with respect to payment for goods received.

7. It is recommended that the War Production Board be made responsible for allocating portions of Federal surplus property, such allocations being based upon the estimated needs of the State and local governments collectively, for disposal among the State and local governments.

8. It is further recommended, in the period of short supply while war conditions render certain surplus items critically scarce, that such items be apportioned among the State and local governments on a formula basis.

9. The association is unwilling to oppose establishment by the State governments of State agencies which in cooperation with the Federal agency responsible for general disposition would facilitate the distribution of Federal surplus property to the subdivision of the States.

(*a*) But the association does emphatically urge, where such a State agency is not effectively established, that there be authorized and be established, an appropriate Federal agency in such State for the purpose.

(*b*) In any event, the Federal agency which is responsible for general distribution and sale of Federal surplus property should be authorized to, and should, exercise complete and final jurisdiction over all distribution, sale, loan, or grant of such property as long as the title to such property rests with the Federal Government.

Senator MURRAY. I notice in your eighth subdivision, near the bottom of page 2, you state:

> It is further recommended, in the period of short supply while war conditions render certain surplus items critically scarce, that such items be apportioned among the State and local governments on a formula basis.

You have no such formula. What would you say the formula should be based on?

Mr. OLSEN. Well, on that part, Senator, in our thinking the matter of formula, or the matter of how much shuold be distributed to each State, is one which would probably require a great deal of study.

The CHAIRMAN. It should be on the basis of need, shouldn't it? Some States may be in greater need of distribution of materials than some other States.

Mr. OLSEN. One of the bases certainly should be need. It probably should be an important factor. Another formula that has been suggested is a population basis and another formula that has been suggested is, I believe in Wisconsin, some proportion of the amount of Federal taxes paid by each State.

Senator MURRAY. I was going to say, on the basis of population, my State, Montana, which is one of the largest in the Union, has practically the smallest population, so we would not fare very well on a pure basis of population, whereas, being a very large State, we might be in greater need of consideration than some of the other smaller States, for instance, in the distribution of jeeps, most Montana farmers—there will be a great opportunity for spreading out in our State where there is a great need for them.

Mr. OLSEN. That is right. I don't think——

Senator JOHNSON. Mr. Chairman, on that point, may I interrupt your witness?

Senator MURRAY. Yes.

Senator JOHNSON. On that point, are you contending for the distribution on a gift basis to the farmers of Montana of surplus war goods?

Mr. OLSEN. No, sir; we are not even contending a gift basis for distribution among the State and local levels of government.

Senator JOHNSON. You do not want them on the gift basis?

Mr. OLSEN. No; we feel that it will be a mistake to put it all on the gift basis.

Senator JOHNSON. Well, wouldn't you rather buy goods built for civilian use, new goods, built for civilian use, right at the factory than you would to take over these surplus war goods?

Mr. OLSEN. If I had the money to pay for them.

Senator JOHNSON. So that the factory can get a start again.

Mr. OLSEN. If we had the money to pay for them.

Senator JOHNSON. I thought you did not want them on the gift basis. If you are going to pay for them you might just as well pay pay for them at the factory as to pay the Government for them.

Mr. OLSEN. I have already indicated in the statement that the attitude of the municipalities is that there be certain price differentiation and kind differentiation in the distribution of these materials.

Senator JOHNSON. Not distributing on a gift basis but a partial gift basis.

Mr. OLSEN. Partial.

Senator MURRAY. That is, in the distribution of the property to State and local governments and subdivisions.

Mr. OLSEN. Yes; tax-supported agencies.

Senator MURRAY. Yes.

Mr. OLSEN. That is it.

Now shall I continue with my statement?

Senator MURRAY. Yes.

Mr. OLSEN. (c) It is suggested that a straight line—that is the point that is in that point 9 that I have previously recited. I have already indicated that we are unwilling to oppose the establishment of State agencies under the jurisdiction of the State.

(c) It is suggested that a straight-line Federal organization including decentralized area offices within the States would more practicably administer a program of distribution of Federal surplus property to State and local governments.

Any suggestion that Federal surplus property be junked or destroyed rather than be continued in use to serve American citizens in the States and municipalities, requiring new State and local tax outlays to purchase new properties to serve identical purposes, is a dangerous and fallacious suggestion which is not compatible with the principles of good and economic administration.

Senator REVERCOMB. Let me interrupt you. Are you suggesting that the Federal Government distribute materials to the State governments and that the State governments redistribute them among its people; are you suggesting that such materials and machines that may be needed for municipal operations be distributed to the State and local governments? What is your position on that?

Mr. OLSEN. There is a question of how to organize this surplus and how to get it into the place where it is needed, and the mechanics of that procedure is a very large problem. I do not think I have the answer as to how it should be done, but there are two apparently, at least two schools of thought in the distribution of these materials. One would be to set up a straight-line Federal agency on a regional or State basis, or even a wider basis than that to handle these materials.

The other has been suggested by a number of States——

Senator REVERCOMB. Now let me ask you right there, if you set up such a Federal agency within the State area, would you have that agency be in competition with the stores and distributors, private industry?

Mr. OLSEN. Well, that goes into another question which I feel is also important——

Senator REVERCOMB. Quite important, sir.

Mr. OLSEN. This question, as I see it, is that we have in this war spent a great deal of money. That money has come out of the taxpayers' pockets and there it would be superhuman to expect that only those commodities which were absolutely required would be produced. It must necessarily mean that they have excesses in certain respects. I feel we have no alternative in preparation for war but to produce some excesses because we did not know—I do not think that anyone knew or still knows, for that matter, just how much of the war supplies we are going to use up before this war terminates——

Senator REVERCOMB. That is very correct, sir, but to get back to the question I had in mind, along the lines of the question I just asked you. Would the distributing Federal agency distributing those materials directly to the user give it back to the farmer, sell it to him, or deliver it to him, or would the distributing central agency which you have in mind distribute that through local stores and sell it to the stores that they might distribute it—resell it? What is your idea? What thought do you have in mind on that; do you mind suggesting?

Mr. OLSEN. Well, so far as the consumer's goods being sold to private individuals, I don't know what the set-up should be with respect to distribution to the States, the cities or villages, counties, townships, or school districts.

Senator REVERCOMB. For their own governmental use.

Mr. OLSEN. For their own governmental use. That is the problem that I have been—the American Municipal Association has been thinking about.

Senator REVERCOMB. You are principally interested in machines and necessary materials for road building, street building, and such like governmental undertakings.

Mr. OLSEN. That is right.

Senator REVERCOMB. And not in the distribution of goods to the private user.

Mr. OLSEN. That is right.

Senator REVERCOMB. Thanks very much.

Mr. OLSEN. May I continue on the point that I had started—that the money that has been furnished and is to be furnished to pay for this war, including these excesses that we will have, is money that has been paid by the American taxpayers. Now we feel that in all of the proposals that have been made here in the bills that I have seen, that the Federal Government does not consider as surplus any materials which they will reserve for their own uses. It is after the Federal Government's requirements have been satisfied that it becomes surplus, under the definitions that have been set up.

Well now, we have a problem in State governments and in local governments in raising taxes, and inasmuch as these materials have been purchased by the tax money we do feel that the States and their local subdivisions should have the privilege of purchasing them and to be able to use them.

Senator JOHNSON. Mr. Chairman, I don't like to interrupt the witness, if that is not his desire, but I would like to interrupt him on this point of taxation, if he is willing, and if you have no objection.

Senator MURRAY. I have no objection, of course.

Senator JOHNSON. Does the witness object to being interrupted?

Mr. OLSEN. Not at all.

Senator JOHNSON. Well, on the matter of taxation, of course, the goods have not been paid for by taxation; we have issued bonds, we have borrowed money to pay for them, but the taxpayer eventually will have to pay for them.

The point that I want to make is how is the taxpayer going to pay for them if you are going to put the taxpayer out of business? The taxpayer I am talking about is the taxpayer that manufactured these goods, and you are going to put him out of business by a free distribution of this surplus property, and where are your taxpayers coming from that are going to pay this bill, and it is a bill—now it has not been paid for, it is still on the books, it is still paid for by bonds, but it will have to be redeemed by the taxpayer. I want to know where the taxpayer is going to get his money. I am interested in keeping the taxpayer alive.

Mr. OLSEN. Well, pursuing that same line of thought, if it is going to be difficult for taxpayers to pay the bill that is outstanding, it is certainly not going to help his position as a taxpayer if he has to superimpose upon his present tax also enough local tax money, or State tax money to replace these goods which are excess Federal property.

Senator JOHNSON. Well, that may—you may not help the local taxpayer. I know after the last war some of the counties and some of the States received equipment manufactured for war purposes and they tried to use it for civilian purposes, and it did not do the trick, but cost them an extra expense, a bill of expense. They were thinking that they got something, but when they got the goods they were harmful to them instead of an advantage. I do not think that the taxpayers in the counties are going to be saved any money by distributing war goods that were not made for the specific purpose, and I think it would be much better for the county taxpayer if he were to receive an implement or piece of machinery built specifically for his needs that would go ahead and do the job that he wanted done and do it economically and without a lot of unnecessary expense, such a trying to use equipment that is not adapted to the need for which it is being used, and after all, the Federal Government has got ot keep its taxpayers going it we are going to pay these bonds.

Mr. OLSEN. My impression is that the standard 2-, 3-, and 5-ton trucks that have been built for the Federal Government are as good pieces of machinery to haul sand or stone on municipal streets as they were in building some of the major highways and airstrips and so forth, that have been built during the war. At least, I think——

Senator JOHNSON. I don't want to prolong the discussion, but I happen to know something about these standard trucks that are being built, and they cost far more. I know one standard truck that takes 2 gallons of gas to the mile to operate. As a standard truck it is all right for war purposes in order to navigate in difficult terrain, but no State could afford to operate a truck like that. It is a fine looking piece of machinery, but it costs a lot of money to operate it.

I won't interrupt you any more.

Mr. OLSEN. The rest of my statement here is rather short, and I will continue, if you please.

Senator MURRAY. Proceed.

Mr. OLSEN. The American Municipal Association is not convinced that the sale of surplus Federal property to middlemen for resale at a profit to the State and local governments is an imperative in the maintenance of a stable national economy.

Senator MURRAY. With reference to the distribution of some surplus property, don't you think that would be the most convenient way for spreading it out to the general population, to permit it to be distributed to middlemen on the basis of controlling the profit that they would make on it, of course not allowing them to be speculators, but to use it as a basis of distributing it to the general population upon a fair and equitable basis?

Mr. OLSEN. There are many goods that undoubtedly do fall in that category. However, experience has been, and the number of illustrations are legion of speculation creeping in through that middleman system. So far as the Federal Government's dealings with the States and local governments is concerned, we would like to get away from that system entirely, due to the large number of abuses that have been made in that kind of a system.

Neither can it be convinced that disposal of surplus Federal property by destruction, or that disposal by sale to manufacturers or middlemen who intend to destroy such property in order to create

and guarantee a market among the State and local governments for new manufactured property, is a sound economic practice.

Any policy or practice which denies to the State and local governments the Federal properties which are not needed by any Federal agency but which are needed, sometimes desperately, by the State and local governments to serve American citizens, is a policy or practice of wastefulness and extravagance.

Taxpayers of the States and localities are the same taxpayers who constitute the body of Federal taxpayers. American citizens are entitled to a continued maximum benefit from Federal surplus properties throughout the useful life of such properties.

It is respectfully urged that time and price preferences be established with respect to all jurisdictions of the Federal, State, and local governments which collectively serve the American people at the expense of the American taxpayer and it is urged that such preferences be established either in law or in policies under law prescribed by Congress.

The communication is signed by the executive—or officially enacted by the executive committee of the American Municipal Association.

I would be very glad to answer any questions with respect to this statement that you would like to discuss.

Senator MURRAY. Have you any other questions, Senator Revercomb?

Senator REVERCOMB. I think not.

Senator MURRAY. And you, Senator Johnson?

Senator JOHNSON. No.

Senator MURRAY. I think there are no further questions, Mr. Olsen. If you should desire to elaborate on your statement here this morning, I will be glad to have you send us any further extension of your remarks, and will have them incorporated in the record.

Mr. OLSEN. Thank you very much. We will be very glad to submit such——

Senator MURRAY. You may, after the questions which were presented to you today, you may desire to further extend your remarks on those subjects.

Mr. OLSEN. Thank you. I will be glad to do that.

Senator MURRAY. The next hearing of the committee will be at 10 o'clock a. m. on Thursday, August 10. At that time we will hear Senator Stewart and Senator Taft, and other witnesses.

(Whereupon, at 2:45 p. m., the hearing recessed to 10 a. m., August 10, 1944.)

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Columbia University
NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination," and in Parts 1 to 11 entitled "Mobilization and Demobilization Problems")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1478, S. 1609, S. 1680, S. 1775, S. 1794, S. 1803, S. 1815, S. 2045, S. 2065

PART 12

UTILIZATION AND DISPOSITION OF SURPLUS WAR PROPERTY

AUGUST 10, 1944

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

THURSDAY, AUGUST 10, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to call, in room 357, Senate Office Building, at 10 a. m., Senator James E. Murray (chairman) presiding.

Present: Senators Murray, Revercomb, and Johnson.

Also present: Bertram M. Gross and Sigmund Timberg.

Senator MURRAY. Gentlemen, the hearing will come to order.

We have for consideration this morning a bill proposed by Senators Stewart and Taft.

(The bill referred to is as follows:)

CONFIDENTIAL SENATE SMALL BUSINESS COMMITTEE PRINT NO. 3,
AUGUST 9, 1944

A BILL To establish a Surplus War Property Administration; to provide for the proper disposal of surplus war property; and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress hereby declares that the objective of this Act is to govern the disposal of surplus war property so as—

(a) To assure the most effective use of such property for war purposes;

(b) To achieve the prompt and full utilization thereof;

(c) To promote maximum production and employment of the manpower and the natural and agricultural resources of all sections of the country;

(d) To effect broad and equitable distribution of surplus property;

(e) To facilitate the transition of enterprises from wartime to peacetime production and of individuals from wartime to peacetime employment;

(f) To strengthen and preserve the competitive position of small business concerns in an economy of free enterprise;

(g) To aid honorably discharged servicemen to establish and maintain their own small business or agricultural enterprises;

(h) To protect free markets and competitive prices from dislocations resulting from uncontrolled dumping of surplus property;

(i) To discourage monopolistic practices and assure fair prices to the consumer;

(j) To utilize normal channels of trade and commerce (without discriminating against the establishment of new enterprises) and assure the sale of such surpluses in such quantities and on such terms as will discourage disposals to speculators or for speculative purposes;

(k) To establish and develop foreign markets and promote mutually advantageous economic relations between the United States and other countries through the programmed export of such surpluses; and

(l) To obtain the highest return for the Government consistent with the foregoing objectives.

SURPLUS PROPERTY ADMINISTRATOR

SEC. 2. (a) There is hereby established in the Office of War Mobilization, and in the office of its successor, should it be abolished, the Surplus War Property Administration (hereinafter called the "Administration"), at the head of which

shall be a Surplus War Property Administrator (hereinafter called the "Administrator"). The Administrator shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $12,000 per annum. The term of office of the Administrator shall be two years.

SURPLUS PROPERTY BOARD

(b) The Administrator shall regularly advise and consult with a Surplus War Property Board. Such Board shall be composed of one representative each of the State Department, Treasury Department, War Department, Navy Department, Justice Department, Reconstruction Finance Corporation, Smaller War Plants Corporation, United States Maritime Commission, War Production Board, War Food Administration, Federal Works Agency, Civil Aeronautics Board, and the Foreign Economic Administration, as designated by the respective department, board, or agency heads; and two representatives each of industry, labor, and agriculture, who shall be appointed by the Administrator and compensated in accordance with the provisions of section 8.

(c) The Administrator may, without regard to the civil-service laws, rules, and regulations and the Classification Act of 1923, as amended, employ and fix the compensation of such Deputy Administrators and other officers and employees, and may make such expenditures for supplies, facilities, and services, as may be necessary to carry out the provisions of this Act.

ADMINISTRATOR'S DUTIES AND AUTHORITY

SEC. 3. Subject to the general supervision of the Director of War Mobilization, and the provisions of this Act, and notwithstanding the provisions of any existing law, it shall be the function and duty of the Administrator—

(a) To supervise and direct the handling and disposition of surplus war property by the Government in accordance with objectives and policies of this Act;

(b) To supervise and direct the transfer of any surplus war property in the possession of any Government agency to any other Government agency;

(c) To assign surplus property for disposal by the fewest number of Federal agencies practicable and to centralize in one disposal agency responsibility for the disposal of all property of the same type or class: *Provided*, That the disposal of all types of surplus property abroad may be centralized in one disposal agency;

(d) To prescribe regulations and issue directives necessary to provide, so far as practicable, for uniform and wide public notice concerning surplus property available for sale, and for uniform and adequate time intervals between notice and sale so that all interested purchasers shall have a fair opportunity to buy;

(e) To prescribe regulations and issue directives necessary to carry out the provisions of this Act; and no Government agency shall transfer or dispose of surplus property in contravention of such regulations or directives; and

(f) To formulate and issue as rapidly as possible detailed plans—

(1) for the care and handling and disposition of surplus property in accordance with this Act;

(2) for converting to civilian production by private industry as rapidly as war needs and conditions permit, any Government-owned plants which are not needed for national defense and are capable of use for civilian production;

(3) for facilitating the most economical use and disposition of Government-owned plants which are not needed for national defense but are not capable of use for civilian production;

(4) for disposition of surplus Government-owned transportation facilities and equipment in such manner as to promote an adequate and economical national transportation system, preserving the inherent advantages of each mode of transportation and providing service at reasonable and nondiscriminatory rates and charges; and

(5) for removal of any existing discriminations affecting the disposal and use of Government-owned plants and property, in accordance with this Act.

SEC. 4. (a) The Administrator may delegate any authority and discretion conferred upon him by this Act to any deputy Administrator, and may delegate such authority and discretion, upon such terms and conditions as he may prescribe, to the head of any Government agency to the extent necessary to the handling and solution of problems peculiar to that agency.

(b) The head of any Government agency may delegate, and authorize successive redelegations of, any authority and discretion conferred upon him or his agency by or pursuant to this Act to any officer, agent, or employee of such agency or, with the approval of the Administrator, to any other Government agency.

(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon each of them individually by or pursuant to this Act.

(d) In carrying out the purposes of this Act, the administration may utilize the services of any other Government agency.

(e) Notwithstanding the provisions of any other Act, the Administrator is authorized to dispose of surplus property in accordance with the provisions of this Act.

SEC. 5. The Administrator is authorized to prescribe such restrictions on the return to the United States of surplus war property which has been disposed of abroad or sold in this country for export as he determines to be necessary to prevent the return of such property from interfering with the objectives and policies of this Act. The imposition of these restrictions shall be enforced through the Treasury Department.

SURVEILLANCE BY CONGRESS

SEC. 6. (a) To assist the Congress in appraising the administration of this Act and in developing such amendments or related legislation as may be necessary to accomplish the objectives of the Act, the appropriate committees of the Senate and the House of Representatives shall study the reports and information submitted to the Congress under this Act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the Act.

(b) Within three months after the enactment of this Act, and thereafter in January, April, July, and October of each year, the Administrator shall submit to the Senate and House of Representatives a quarterly progress report on the exercise of his authority and discretion under this Act, the status of surplus property disposition, and such other pertinent information on the administration of the Act as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

(c) The Administrator shall submit to the Senate and House of Representatives copies of the regulations prescribed by him from time to time under this Act within thirty days after the effective date of such regulations.

BUREAU OF THE BUDGET

SEC. 7. It shall be the duty of the Bureau of the Budget, subject to provisions of subsections (h) and (e) of section 3—

(a) To coordinate the inventory records of surplus war property in the possession or control of Government agencies;

(b) To prescribe suitable standards and procedures which, so far as practicable, shall be uniform, for the inventory and classification of surplus property and for the transfer thereof among Government agencies; and to devise and prescribe the forms and records for sale or other transfer to insure property and uniform accountability control; and

(c) To receive and review and approve or deny applications of Government agencies (other than the War Department, Navy Department, and Maritime Commission) for surplus property for the purpose of acquiring such property in their behalf from surplus stocks as hereinafter provided in section 11.

ADVISORY COMMITTEES

SEC. 8. Each Government agency charged with responsibility for disposal of surplus war property shall organize advisory committees with which it shall consult regarding policies and procedures to govern disposal of the various classes of surplus property under this Act. Such committees shall be fairly representative of—

(a) The larger business units of the interested trade or industry, including its wholesale and retail distributors, if any;

(b) The small business units, therein, including distributors;

(c) The labor groups interested therein; and

(d) Interested farm, consumer, and other groups, if any.

When engaged in the business of the Administration, all members of such advisory committees shall be entitled to compensation at the rate of $15 per diem, and actual traveling expenses and subsistence expenses (not in excess of $10 per diem) while away from their homes.

DECLARATION OF SURPLUS PROPERTY

SEC. 9. Every Government agency shall have the duty and responsibility continuously to survey the property in its possession or control and to determine which of such property is surplus to its needs and responsibilities. For the duration of hostilities in the present war, such determination shall be the exclusive province of the owning agencies.

Following cessation of hostilities, the Administrator shall have authority to require full information concerning any property in the control of any owning agency and may upon his own determination declare it or any part of its surplus to the needs and responsibilities of such agency. If in the opinion of the owning agency the retention of any property so declared by the Administrator to be surplus is essential to the national security such agency may appeal from such declaration to the President for a final determination. Each Government agency shall submit to the Administrator such information and reports with respect to surplus war property in such form and at such times as the Administrator shall direct. When requested by the Administrator, a Government agency shall execute such documents for the transfer of title or for any other purposes or take such steps as the Administrator shall determine to be necessary or proper to transfer or dispose of surplus war property or otherwise to carry out the provisions of the Act.

AGENCY INVENTORIES

SEC. 10. Every agency engaged in the disposition of surplus property shall maintain in each of its disposal offices full records of the inventories of surplus property of such office and of each of the disposal transactions negotiated by such office and shall make such records available for inspection by the public.

TRANSFERS BETWEEN AGENCIES

SEC. 11. (a) The Administrator shall to the maximum extent practicable, by regulation, directive, or otherwise, give priority in the disposition of surplus property to the following Government agencies which shall have the right to acquire surplus property in the order and manner, and for the purposes following:

(1) The War Department, Navy Department, and Maritime Commission may acquire surplus property necessary for the prosecution of the war or for purposes of national defense and security, or may direct the disposition thereof to any person engaged in war production.

(2) The Bureau of the Budget may direct the transfer of surplus property to any Government agency (other than the War Department, Navy Department, and Maritime Commission) which demonstrates a need therefor. Such transfer shall be made upon such terms and with such charge to the appropriation of the transferee for the value thereof as the Bureau of the Budget shall prescribe in accordance with existing law.

(b) The Administrator shall resolve any conflict between Government agencies over priorities in the acquisition of surplus property in such manner as will, in his judgment, best effectuate the objectives of this Act.

DISPOSAL TO LOCAL GOVERNMENTS

SEC. 12. The Administrator may prescribe regulations to provide for the disposition of surplus property to States, and political subdivisions, thereof, and to tax-supported and nonprofit institutions, as follows:

(a) Surplus property which has been acquired by the Federal Government for school, classroom, or other educational use may be transferred to the Office of Education in the Federal Security Administration for donation to tax-supported educational institutions, and, within the discretion of the Commissioner of Education, to other nonprofit educational institutions.

(b) Surplus medical supplies and equipment may be transferred to the United States Public Health Service in the Federal Security Administration for donation to tax-supported medical institutions, and, within the discretion of the Surgeon General of the Public Health Service, to hospitals or other similar institutions not operated for profit.

(c) Surplus property for which the estimated cost of handling, storage, and sale would exceed the estimated proceeds of commercial sale, may be donated to States, political subdivisions thereof, or tax-supported institutions.

(d) Any surplus property may be sold or leased to States, political subdivisions thereof, or tax-supported institutions at discounts not to exceed 50 per centum of the sale or lease market value thereof, as the case may be.

(e) The benefits of subsections (c) and (d) of this section may in the discretion of the Administrator be extended to charitable and eleemosynary institutions and other nonprofit organizations.

DISPOSITION BY OWNING AGENCY

SEC. 13. (a) Any owning agency may dispose of any property for the purpose of war production or authorize any contractor with such agency or subcontractor thereunder to retain or dispose of any contractor inventories for the purpose of war production, subject only to the regulations of the Administrator with respect to price policies.

(b) Subject to subsection (c) of this section, and to the provisions of section 19, any owning agency may dispose of—

(1) any property which is damaged or worn beyond economical repair;

(2) any waste, salvage, scrap, or other similar items;

(3) any physical products of industrial, research, agricultural, or livestock operations, or of any public works construction or maintenance project, carried on by such agency;

(4) any contractor inventory in its control; and

(5) any other class or type of surplus property designated by the Administrator.

(c) The Administrator shall have the responsibility for reviewing the disposal actions and the decisions with respect to the classification of property of the owning agencies under this section to assure the fulfillment of the objectives and policies of this Act and whenever he finds it necessary he shall restrict by regulation or rescind the authority of any owning agency to dispose of any class of surplus property under subsection (b) of this section.

POLICIES GOVERNING DISPOSITION

SEC. 14. In formulating regulations to govern the care and handling and disposition of surplus property under this Act, the Administrator shall be guided by the objectives stated in section 1 of this Act, and shall give effect to the following policies to the extent feasible, and in the public interest.

(a) To facilitate transfers of surplus property of one Government agency to other Government agencies for their use.

(b) To afford public, governmental, educational, charitable, and eleemosynary institutions and cooperative organizations an opportunity to fulfill their legitimate needs.

(c) To afford former owners of surplus real property acquired by the Government an opportunity to reacquire such property.

(d) To effectuate the objective of this Act to aid honorably discharged veterans to establish and maintain their own small business or agricultural enterprises by assigning such veterans suitable preferences to the extent feasible and consistent with the policies of this Act in the acquisition of the types of surplus property useful in such enterprises. The Administrator in cooperation with the Administrator of Veterans' Affairs shall prepare and submit to Congress within six months after enactment of this Act, a report setting forth the feasible means planned to effectuate the objectives of this subsection.

SMALL BUSINESS

SEC. 15. (a) It shall be the duty of the Administrator and he is hereby authorized and directed to devise ways and means and prescribe appropriate regulations and directives to prevent any discrimination against small business in the disposal and distribution and use of any Government property covered by this Act. To that end the administrator shall cause the owing and disposal agencies to adopt and pursue the following measures:

(1) Arrange for the widest practicable notice by the advertisement or otherwise to be issued and disseminated by the agencies so that large and small enterprises will be reasonably informed of the property offered for sale and the terms and conditions thereof.

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(2) Reduce lots or blocks of any items offered for sale to the smallest practicable units conforming with marketing policy in the agency concerned so that they will be within the reach of small business enterprises.

(3) In appropriate cases in the discretion of the agency or the Administrator, arrange for sales on credit or time bases, or such other terms or conditions as will preserve the competitive position of small business enterprises in the purchase or acquisition of surplus property and accord them a fair opportunity for the acquisition thereof.

(b) Subject to the authority of the Administrator, the Smaller War Plants Corporation is hereby specifically charged with the responsibility of cooperating with the owning and disposal agencies, of making surveys from time to time, and bringing to the attention of the agencies, or the Administrator, the needs and requirements of small business and any cases or situations which have resulted in or would effect discrimination against small business in the purchase or acquisition of Government property by them and in the disposal thereof by the agencies.

(c) The Administrator shall recommend to the Congress any measures which he deems advisable for the removal of discriminations against small business in the acquisition and use of Government-owned plants and properties, in accordance with the objectives of this Act.

(d) The Smaller War Plants Corporation shall have the power to purchase any surplus property for resale or other disposition to small business, when, in its judgment, such disposition is required to preserve and strengthen the competitive position of small business, or will assist the Corporation in the discharge of the duties and responsibilities imposed upon it under Public Law 603 (77th Congress).

DISPOSITION OF PLANTS

SEC. 16. Whenever the Administrator or any disposal agency shall begin negotiations for the sale or transfer to private interests of a plant or plants or other property representing an original cost to the Government of $1,000,000 or more, the Administrator or disposal agency shall promptly notify the Attorney General of the proposed sale or transfer and the probable terms or conditions thereof. Within a reasonable time after receiving such notification the Attorney General shall advise the Administrator or disposal agency whether the proposed sale or transfer will either violate the antitrust laws, or encourage monopoly or undue concentration of industry or commerce or restrain competition substantially. Upon the request of the Attorney General, the Administrator or other Government agency shall furnish or cause to be furnished such information as the Administrator or any such agency may possess which the Attorney General determines to be appropriate or necessary to enable him to give the advice called for by this section or to determine whether any other sale or transfer of surplus property violates the antitrust laws. Nothing in this Act shall impair, amend, or modify the antitrust laws or limit and prevent their application to persons who buy or otherwise acquire property under the provisions of the Act. As used in this section, the term "antitrust laws" includes the Act of July 2, 1890 (ch. 26, Stat. 209), as amended; the Act of October 15, 1914 (ch. 323, 38 Stat. 730), as amended; the Federal Trade Commission Act; and the Act of August 27, 1894 (ch. 349, secs. 73, 74, 28 Stat. 570), as amended.

SEC. 17. Every contract for the sale, or lease for two years or more, of a plant shall be made upon the condition that the purchaser, lessee, or transferee, and their transferees, if any, shall maintain the plant in substantial operation and production for a period of two years next succeeding the effective date of the contract, or, next succeeding the date upon which operations begin after a period of conversion and alteration to be approved by the Administrator, but not to exceed one year, and that upon breach of such condition, the Government may rescind the contract and upon return of so much of the consideration as shall be equitable, recover the plant.

SEC. 18. Every existing option to purchase or otherwise acquire Government-owned property shall before it is consummated be submitted to the Attorney General for his opinion as to its validity. Where an option is invalid or not validly exercised, the property concerned shall be disposed of in accordance with the applicable provisions of this Act.

SEC. 19. All Government-owned accumulations of strategic minerals and metals shall be transferred, when determined to be surplus pursuant to this Act, to the account of the Treasury Procurement Division to be held as a strategic minerals and metals reserve for the exclusive use of the Army and the Navy for the national defense during the present war and in the event of a future war emergency. The

minerals and metals may be transferred in any form in which they are held, and they shall thereafter be put into forms best suited for storage and use for the national defense. As used in this section the phrase "strategic minerals and metals" means all minerals and metals included in either group A or group B of the list of strategic and critical materials determined upon by the Army and Navy Munitions Board on March 6, 1944, and shall include ores, concentrates, alloys, scrap, and partially and completely fabricated articles of which the principal components by value consist of such minerals and metals, but shall not include such fabricated articles as the Army and Navy determine are not suitable for their use in the form in which fabricated and which may be disposed of commercially at values substantially in excess of the market metal price of the component minerals and metals of such fabricated article or which the Administrator may choose to dispose of pursuant to sections 11 and 12 of this Act.

PLANNING

SEC. 10. (a) The Administrator, in cooperation with the appropriate Government agencies, shall prepare and submit to the Congress within six months after enactment of this Act, a report as to each of the following classes of Government owned property: (1) iron and steel plants and facilities; aluminum plants and facilities; (3) magnesium plants and facilities; (4) synthetic rubber plants and facilities; (5) aircraft plants and facilities; (6) chemical plants and facilities; (7) aviation gasoline plants and facilities; (8) shipyards; (9) transportation facilities; (10) radio and electrical equipment; (11) lands formerly used for farming; and (12) processes, techniques and inventions; and (13) any other class of property determined by the Administrator:

(A) Describing the amount, cost, and location of the property and setting forth other descriptive information relative to the use of the property that will no longer be needed by the United States.

(B) Outlining the economic problems that may be created by disposition of the property.

(C) Setting forth a plan or program for the care and handling, disposition, and use of the property consistent with policies and objectives set forth in this Act.

(D) Describing any steps already taken for care and handling, disposition, and use of the property (including any contracts relating thereto), and designating any property that is to be retained by the United States for war or national defense purposes.

The Administrator shall request Government agencies to submit information and suggestions for use in the preparation of the reports and shall encourage States or political divisions thereof and representatives of the affected industry and other private persons to submit information for use in the preparation of the reports, and he shall submit to the Congress, together with his report, copies of any information and suggestions received, or a summary thereof. Unless otherwise provided by law, the Administrator shall authorize such care and handling, disposition, and use of the property in accordance with the plan or program contained in the report to the Congress. In the event that it is not possible to prepare and submit a final report to the Congress as to any class of property, the Administrator shall submit an interim report six months after the enactment of this Act, and shall submit a final report as soon thereafter as possible.

(b) If the Administrator determines that it is desirable to alter or change any such plan or program or to prepare a report on any other class of property, he shall prepare in accordance with the provisions of subsection (a) of this section and submit to the Congress an additional report, setting forth the altered or changed plan or program or a plan or program relating to the new class of property, and, unless otherwise provided by law, the Administrator shall authorize such management, disposition, and use of the property in accordance with the plan or program contained in the additional report to the Congress.

Wherever the Administrator may deem it to be in the interest of the objectives of this Act he may dispose of any property referred to above in advance of the preparation of any plan or before he may have submitted same to Congress.

MISCELLANEOUS PROVISIONS

SEC. 21. Surplus property disposals may be made without regard to any provision in existing law for advertisement and competitive bidding, unless the Administrator shall determine that disposal by advertisement and competitive bid will in a given case better effectuate the policy of the Act.

SEC. 22. (a) All proceeds from any transfer or disposition of property under this Act shall be deposited and covered into the Treasury as miscellaneous receipts, except as provided in subsections (b), (c), (d), and (e) of this section.

(b) From the proceeds of such transfers or dispositions, the agency may deduct all expenses incurred for the care and handling, completion, and transfers or dispositions of such property under this Act, and may reimburse the fund or appropriation bearing such expenses, or the corresponding fund or appropriation currently available at the time of reimbursement.

(c) Where the property transferred or disposed of was acquired by the use of funds either not appropriated from the general fund of the Treasury or appropriated from the general fund of the Treasury but by law reimbursable from assessment, tax, or other revenue or receipts, then upon the request of the interested agency, the proceeds of the disposition or transfer remaining after any deductions under subsection (b) of this section shall be credited to the reimbursable fund or appropriation or paid to the owning agency.

(d) To the extent authorized by the Administrator, any Government agency disposing of property under this Act (1) may deposit, in a special account with the Treasurer of the United States, such amount of the proceeds of such dispositions as it deems necessary to permit appropriate refunds to purchasers when any disposition is rescinded or does not become final, or payments for breach of any warranty, and (2) may withdraw therefrom amounts so to be refunded or paid, without regard to the origin of the funds withdrawn.

(e) Where a contract or subcontract authorizes the proceeds of any sale of property in the custody of the contrator or subcontractor to be credited to the price or cost of the work covered by such contract or subcontract, the proceeds of any such sale shall be credited in accordance with the contract or subcontract and shall not be subject to subsection (a) of this section.

SEC. 23. (a) Any Government agency is authorized to use for the disposition of property under this Act and for its completion, care, and handling, pending such disposition, any funds heretofore or hereafter appropriated, allocated, or available to it for such purposes or for the purpose of production or procurement of such property.

(b) Any Government agency is authorized to use for the acquisition of any surplus property under this Act any funds heretofore or hereafter appropriated, allocated, or available to it for the acquisition of property of the same kind.

(c) There are authorized to be appropriated such sums as may be necessary or appropriate for administering the provisions of this Act.

SEC. 24. All policies and procedures relating to surplus property prescribed by the Surplus War Property Administration, created by Executive Order Numbered 9425, dated February 19, 1944, or any other Government agency, in effect upon the effective date of this Act, and not inconsistent with this Act, shall remain in full force and effect unless and until superseded by regulations of the Administrator in accordance with this Act.

SEC. 25. (a) Nothing in this Act shall limit or affect the authority of commanders in active theaters of military operations to dispose of property in their control.

(b) The provisions of this Act shall be applicable to dispositions of property within the United States and elsewhere, but the Administrator may exempt from some or all of the provisions hereof, dispositions of property located outside of the continental United States or in Alaska, whenever he deems that such provisions would obstruct the efficient and economic disposition of such property in accordance with the objectives of this Act.

SEC. 26. A deed, bill of sale, lease or other instrument purporting to transfer title or any other interest in surplus property under this Act, which is executed by or on behalf of the Administrator, or by the Government agency to which the Administrator shall have assigned such surplus property for disposal, shall be conclusive evidence of compliance with the provisions of this Act so far as the title or other interest of any bona fide purchaser or lessee, as the case may be, is concerned.

SEC. 27. (a) The authority conferred by this Act is in addition to any authority conferred by any other law and shall not be subject to the provisions of any law inconsistent herewith. This Act shall not impair or affect any authority for the disposition of property under any other law, except that the Administrator may prescribe regulations to govern any disposition of surplus property under any such authority to the same extent as if the disposition were made under this Act, whenever he deems such action necessary to effectuate the objectives and policies of this Act.

(b) Nothing in this Act shall impair or affect the provisions of the Emergency Price Control Act of 1942, as amended; or the Act of October 2, 1942 (ch. 578, 56 Stat. 765), as amended; or of section 301 of the Second War Powers Act, 1942; or of the Act of March 11, 1941 (55 Stat. 31), as amended; or Acts supplemental thereto, or of any law regulating the export of property from the United States.

SEC. 28. This Act may be cited as the "Surplus War Property Act".

DEFINITIONS

SEC. 29. As used in this Act—

(a) The term "Government agency" means any executive department, board, bureau, independent commission, or other agency in the executive branch of the Federal Government, and any corporation wholly owned and controlled by the United States.

(b) The term "owning agency" means a Government agency having control of property at or before the time when it is determined to be surplus to the needs and responsibilities of that agency.

(c) The term "disposal agency" means any Government agency designated under this Act to handle disposition of one or more classes of surplus property.

(d) The term "property" means any interest in property, real or personal, owned by the United States or any Government agency, including, but not limited to, plants, facilities, equipment, machinery, accessories, parts, assemblies, products, commodities, materials, and supplies of all kinds, whether new or used, and wherever located.

(e) The term "surplus war property" or "surplus property" means any property which has been determined to be surplus to the needs and responsibilities of the owning agency in accordance with section 9 of this Act.

(f) The term "contractor inventory" means (1) any property related to a terminated contract of any type with a Government agency or to a subcontract thereunder (except any machinery or equipment subject to a separate contract or contract article specifically governing its use or disposition); and (2) any property acquired under a cost-plus-a-fixed-fee contract and in excess of the amounts needed to complete performance thereunder; and (3) any property which the Government is obligated to take over under any type of contract as a result of any change in the specifications or plans thereunder.

(g) The term "care and handling" includes repairing, converting, rehabilitating, operating, maintaining, preserving, protecting, insuring, storing, packing, handling, and transporting.

(h) The term "option" means any contractual right to retain or acquire any property at a price and upon terms prescribed or determined by the contract.

(i) The term "person" means any individual, corporation, partnership, firm, association, trust, estate, or other entity.

(j) The term "State" includes the several States, Territories, and possessions of the United States, and the District of Columbia.

(k) The term "tax-supported institution" means any scientific, literary, educational, public-health, or public-welfare institution which is supported in whole or in part through the use of funds derived from taxation by the United States, or by any State or political subdivision thereof.

(l) "Disposal" or "disposition" means sale, conditional sale, or lease, for cash, credit, or other property; donation; or any other transfer.

Senator MURRAY. The first statement this morning will be received from Senator Stewart.

STATEMENT OF HON. TOM STEWART, UNITED STATES SENATOR FROM THE STATE OF TENNESSEE

Senator STEWART. Mr. Chairman, Senator Taft and I are going to share the time that might be allotted to the consideration of the Small Business Subcommittee's bill. He has not arrived yet. I believe he will be here in the next few minutes.

Mr. Chairman, I have a prepared statement here that, with the consent of the committee, I will place in the record in the interest of time, because I understand we have only about 50 minutes here this

morning due to a 11 o'clock session of the Senate. I will just make oral refeernce to the so-called high points of the bill.

I listened to Senator Johnson's testimony the other day as to his bill, which has already been introduced and known as S. 2045.

Senator JOHNSON. As amended.

Senator STEWART. Now, this bill here that I am testifying on this morning has not been introduced but will be introduced at the beginning of the session today at 11 o'clock. This bill is the result of considerable work that has been done, especially by the Small Business Subcommittee staff. The chairman of this meeting, Senator Murray, of course, as you all know, is also chairman of the Senate Small Business Committee, and about April of this year he set up a special subcommittee for the purpose of making a study along this line, that is, disposing of surplus war properties. The subcommittee, and especially the subcommittee staff, have been extremely active in that work since that time.

Senator MURRAY. Senator, I understand that a report was filed.

Senator STEWART. I was about to refer to that. I think it was on the 21st day of July, some 2 or 3 months after the subcommittee was set up, that a so-called preliminary report was filed. That was a report, based on such work as the committee had been able to do up to that time, on such matters as had been brought to their attention before the committee, and it was, I thought, distributed pretty generally.

Copies of that report, however, will be made available to the members of this committee. We have several right here. That report, as I say, was filed I think about the middle of July.

Senator REVERCOMB. Senator Stewart.

Senator STEWART. Yes, Senator Revercomb.

Senator REVERCOMB. Does the bill which you introduced this morning cover the whole subject of disposition of surplus goods or just with respect to small business?

Senator STEWART. No, sir; it endeavors to cover the whole subject. We do emphasize small business, as the Senator can find out from reading the bill. I will not undertake to go into that except to touch the high points because of lack of time.

Senator REVERCOMB. Does it also dispose of plants?

Senator STEWART. Yes. I was just to point out the high spots, and I was about to compare it to some of the features of Senator Johnson's bill.

This bill defers completely in some respects from Senator Johnson's bill, particularly in that it does not restrain disposition of war properties for the period of 5 years, as does his bill, for practically all war surplus properties that are not, I believe, perishable. I think that, generally, is his bill.

We undertake, as does Senator Johnson's bill also, to set up an administrator to have charge of the disposition of surplus war properties. The bill also provides for the Administrator to confer with representatives of other departments. Section 2 carries that provision with it and provides that a representative from the Department of State, Treasury, War, Navy, Justice, R. F. C., Smaller War Plants Corporation, Maritime Commission, War Production Board, War Food Administration, Federal Works Agency, Civil Aeronautics Board, and the Foreign Economic Administration, the head of each

department shall designate some representative to confer with the Administrator. It also provides that two representatives each from industry, labor, and agriculture shall be conferred with by the Administrator.

This office is officially designated, I believe, as Surplus Property Administration and is set up within the Office of War Mobilization or its successor. I think Senator Johnson's bill also does that. It provides for compensation at the rate of $12,000 and a term of office of 2 years.

The purposes and objectives of the bill are set out in the first section of the bill and pretty generally followed through the bill. The Administrator is given the responsibility of supervising and directing the handling of disposition of all surplus war property in accordance, of course, with the policies of the act. He is directed to supervise and direct the transfer of surplus war property in the possession of any Government agency. He is directed to assign surplus property for disposal by the fewest number of Federal agencies practicable and to centralize in one disposal agency responsibility for the disposal of all property of the same time or class, provided that the disposal of all types of surplus property abroad may be centralized in one disposal agency.

I am about to go into that which takes, as I said, too much time. As I said, I merely want to point out in this statement the high points in this bill and put my prepared statement in the record, that may be read if you desire to do it.

The Administrator, of course, is given considerable discretion. That necessarily follows, as we see it, in this kind of a bill, however, provides for the surveillance by Congress. That section provides—

> To assist the Congress in appraising the administration of this Act and in developing such amendments or related legislation as may be necessary to accomplish the objectives of the Act, the appropriate committees of the Senate and the House of Representatives shall study the reports and information submitted to the Congress under this Act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the Act.

It also proceeds then to require the Administrator to file quarterly with both Houses of Congress a progress report. It also requires that the Administrator shall submit to both the Houses of Congress copies of such regulations as he may from time to time prescribe in the performance of his duties as Administrator. This provision, we think, retains a reasonable control on the part of Congress, so far as the disposition of most of the property is concerned, but there is an added provision, I might point out here, with respect to the disposal of, for instance, plants, large Government plants, which I would like to direct your special attention to in another section of the act, providing that congressional consent must be obtained in the disposal of any war plant the value of which exceeds $1,000,000.

Then, there are other provisions that might be referred to also under the head of "Government control."

It is also provided that the Bureau of the Budget shall—

> coordinate the inventory records of surplus war property in the possession or control of Government agencies—

and shall—

> prescribe suitable standards and procedures which, so far as practicable, shall be uniform, for the inventory and classification of surplus property and for the transfer thereof among Government agencies,

and so forth. It provides further that the Bureau of the Budget shall—

receive and review and approve or deny applications of Government agencies (other than the War Department, Navy Department, and Maritime Commission) for surplus property for the purpose of acquiring such property in their behalf from surplus stocks as hereinafter provided.

I believe I have already referred to the advisory committees that are set up in the Government agencies. In addition to that it is provided that each Government agency charged with the responsibility for the disposal of surplus war property shall organize advisory committees within it, that is, advisory committees within each department, which shall consult regarding policies and procedures to govern disposal of the various classes of surplus property under this act, and that such committee shall be fairly representative, first, of the larger business units of the industry; second, the small business units; third, the labor groups, and, fourth, interested farm, consumer, and other groups.

The bill further provides for a transfer between different Government agencies of surplus property that might be required or desired by any particular Government agency.

It also provides that—

The Administrator may prescribe regulations to provide for the disposition of surplus property to States and political subdivisions thereof, and to tax-supported and nonprofit institutions.

That is, we think, a good provision. For instance, a great many of the smaller political subdivisions, counties, and municipalities throughout the country, would probably desire a great deal of this machinery and trucks, and what not, to be used in connection with road building. That would provide employment and would provide such employment as would follow in any large scale public-works program that might be adopted for the purpose of construction, for instance, of farm-to-market roads. Many of these trucks and so-called jeeps and caterpillar-like tractors could be used by political subdivisions of the various States of the Union for the purpose, as I say, of road construction and building of streets, and so forth.

It also is provided that the surplus property which has been acquired by the Government for school purposes may be transferred to the Office of Education and may be disposed of by the Office of Education and donated to tax-supported educational institutions and other nonprofit educational institutions.

It also is provided that surplus medical supplies and equipment may be transferred to the United States Public Health Service for donation to medical institutions that are tax-supported and those that are not operated for profit.

It provides also that surplus property for which the estimated cost of handling, storage, and sale would exceed the estimated proceeds of commercial sale, may be donated to States, political subdivisions thereof, or tax-supported institutions.

It also provides any surplus property may be sold or leased to States, political subdivisions thereof or tax-supported institutions at discounts not to exceed 50 percent of the sale or lease market value.

Section 13 then provides that—

Any owning agency may dispose of any property for the purpose of war production or authorize any contractor with such agency or subcontractor thereunder to retain or dispose of any contractor inventories for the purpose of war production subject only to the regulations of the Administrator with respect to price policies.

Then, skipping over one or two other provisions we come to the provision affecting small business, which is of a special interest, of course, to this committee because of the fact that this subcommittee reporting this bill, which will be introduced this morning, is a special small business subcommittee.

Section 15 on page 15 of the bill provides, under the head "Small business," that—

It shall be the duty of the Administrator and he is hereby authorized and directed to devise ways and menas and prescribe appropriate regulations and directives to prevent any discrimination against small business in the disposal and distribution and use of any Government property covered by this Act. To that end the Administrator shall cause the owning and disposal agencies to adopt and pursue the following measures:

Arrange for the widest practicable notice by the advertisement or otherwise to be issued and disseminated by the agencies so that large and small enterprises will be reasonably informed of the property offered for sale and the terms and conditions thereof.

Reduce lots or blocks of any items offered for the sale to the smallest practicable units conforming with marketing policy in the agency concerned so that they will be within the reach of small business enterprises.

In appropriate cases in the discretion of the agency or the Administrator, arrange for sales on credit or time bases, or such other terms or conditions as will preserve the competitive position of small business enterprises in the purchase or acquisition of surplus property and accord them a fair opportunity for the acquisition thereof.

(b) Subject to the authority of the Administrator, the Smaller War Plants Corporation is hereby specifically charged with the responsibility of cooperating with the owning and disposal agencies, of making surveys from time to time, and bringing to the attention of the agencies, or the Administrator, the needs and requirements of small business and any cases or situations which have resulted in or would effect discrimination against small business in the purchase or acquisition of Government property by them and in the disposal thereof by the agencies.

(c) The Administrator shall recommend to the Congress any measures which he deemds advisable for the removal of discriminations against small business in the acquisition and use of Government-owned plants and properties, in accordance with the objectives of this Act.

(d) The Smaller War Plants Corporation shall have the power to purchase any surplus property for resale or other disposition to small business, when, in its judgment, such disposition is required to preserve and strengthen the competitive position of small business, or will assist the Corporation in the discharge of the duties and responsibilities imposed upon it under Public Law 603 (Seventy-seventh Congress).

That is the law, of course, that created the Corporation.

The next provision is with respect to the disposition of plants. That, briefly, provides that the Administrator may not dispose of any Government plant, a plant that has been used for the purpose of manufacturing war munitions or war materials if the value exceeds $1,000,000 without specific congressional consent.

It provides also—well, that provision is for a purpose that I will ask Senator Taft to discuss, because it pertains to a question of monopoly and requires the opinion of the Attorney General. That is a matter that he was particularly interested in.

Senator MURRAY. All through the bill, as I understand it, the power and authority of the Administrator is hedged in by the policies set forth in the bill.

Senator STEWART. Yes, sir.

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Senator MURRAY. And by the specific provisions laying down the method in which he should carry out the program for the disposal of property.

Senator STEWART. You are compelled to give considerable discretion, of course, to the Administrator. We are undertaking to preserve in this bill as much congressional control as seems to be practicable under the circumstances.

Senator MURRAY. And because of the fact that it is an extremely complicated problem the Congress, under this bill, will receive reports from time to time and be in a position to continue to survey the problem and suggest or enact whatever legislation may be necessary.

Senator STEWART. Yes, sir; that is correct, Mr. Chairman. As I believe I have already pointed out, the Administrator is required to file progress reports with the Congress quarterly. There are many other restrictions and safeguards in that respect, but I think, as has been pretty aptly pointed out by Senator Taft in the expression he made here the other day, to undertake to retain too much congressional control would revive, at least, the memory of the Muscle Shoals incident, which those of us who do recall it remember that for a great many years the disposition of that Government plant at Muscle Shoals, Ala., was a matter of political dickering in the Congress. The matter became almost a national scandal. Congress was criticized for the manner in which it was handled, for the slowness in which it was worked out. I will not say it was a disgrace, but we gained experience, I think, on that occasion that certainly ought to warn us against any effort to go too far along the idea of congressional control. Yet I am just as much interested, and this committee is just as much interested as anybody, I think, in this country in retaining as much control as we possibly can and practically should in the Congress of the United States.

Senator MURRAY. In that connection, I notice on page 20 you have section 20 here on the subject of planning. It requires the Administrator, in cooperation with the appropriate agencies, to prepare and submit to Congress within 6 months after the enactment of the act a report as to each of the following classes of Government-owned property.

Senator STEWART. Yes, sir.

Senator MURRAY. Then it specifies various kinds of plants.

Senator STEWART. Yes, sir. That was the additional provision that I had reference to a moment ago. That covers iron and steel plants and facilities, aluminum plants and facilities, magnesium plants and facilities, synthetic rubber plants and facilities, aircraft plants and facilities, chemical plants and facilities, aviation gasoline plants and facilities, shipyards, transportation facilities—and "transportation facilities" includes pipe lines and railroads—and it goes on then to include radio and electrical equipment, lands formerly used for farming and processes, techniques, and inventions, and any other class of property determined by the Administrator.

I would like to call your attention to this provision, too, that I overlooked somewhere in the bill and that is with respect to requiring the war agencies to release this property to the Administrator.

Following World War I it is remembered that a great many materials were retained by the Army and Navy on the ground that they might be needed for war purposes, or at any rate they had a right to retain them; they did not surrender them even after the war was ended; and that those materials were fed into the commerce of the country in the most awkward fashion. This is possibly the only bill that does include such provision. This committee thinks that this is a wise provision, that is, the provision which gives the right to the Administrator to take possession of this property after the war is over.

Of course, we do not dispute the right of the war agencies to claim whatever they want to so long as this war continues to be fought, and that they have not only such right but it is their duty and full responsibility until the war is brought to an end and peace has been declared, but when that time comes and there is no further need for the many things that they are making use of, practical use of and daily use of in the war, then they should be released and such disposition made of them as the Congress of this country, and the agencies that are set up by the Congress, think correct and proper.

Now, we have been told that the total value of this property—of course, it is a matter of speculation in a way, or a matter of guess—the best estimates of the best experts, I believe, tell us that the total value of the war properties that will be in the hands of the war agencies and others after this war is ended will exceed $100,000,000,000. That includes the plants, ships, I presume, and everything else that we have manufactured and made to use in the war. A great deal of that property, of course, cannot be poured into the channels of trade because of the nature of the property, that is, a great deal of it possibly ought to be retained somewhere, and this bill provides for the retention of some of it in stock-pile form, and so forth, to be retained for a time.

Passing on—and I want Senator Taft to make a statement, because we worked together on this—I will conclude this by saying, Mr. Chairman, that the committee does not undertake to say that the bill is the answer to every question that might be asked. It would be an impossibility to draft such a measure. As time goes on such a bill as this Congress may pass will no doubt be the subject of amendment, possibly every 30 or 60 days, as experience will bring before us the need of such amendments, but we believe, on the whole, this bill is the most comprehensive one that has been presented, that it represents the combined view of nearly all of the affected agencies of the Government, or all those that will be affected, and that it is based upon such experience as we are able to point to from the other World War, and on the whole is as full and comprehensive a treatment as we are able to make of the whole question. While small business interest is emphasized, it certainly is not simply a small businessman's bill, it is a bill that covers the whole problem.

Senator MURRAY. In conducting these studies of the problem, Senator, I understand you have had extensive hearings and you have had the benefit of the testimony and advice of the various Government agencies and also of big business and small business.

Senator STEWART. Yes, sir; Mr. Chairman. The so-called preliminary report, or the report, at least, that has been passed around to the committee here and was filed on the 21st of July, represents information that was gleaned and acquired from several different committees that the chairman knows have been active in this question for some time.

It is so late that I must not take any more time, because I want Senator Taft to talk, but I would like to say the statement that I have prepared here, that I have handed to the reporter, I would like to be placed in the record following this oral statement I have made.

Senator REVERCOMB. Senator Stewart, before Senator Taft proceeds——

Senator STEWART. Yes.

Senator RIVERCOMB. This subcommittee has a number of bills before it ranging from the idea and purpose of completely freezing the disposal of surplus goods for the period of 5 years, offered by Senator Johnson, to an immediate selling of these goods. I wanted to ask if there is not a reasonable middle ground that would be the right course to take, to feed these goods gradually into the commercial channels.

Senator STEWART. I think so, Senator. I think that is pretty well taken care of by the bill at hand. We have, as I said a moment ago, given considerable discretion to the Administrator. In my statement I quote from experts on the subject. The idea really is to dispose of these properties, or most of them, as early as possible and not have them forever hanging over our heads like the sword of Damocles. I think this bill gives the machinery for the sale of this property in this way, and I think after the restrictions, the safeguards, the statements of policy, and so forth, as outlined in the bill, which the Administrator is required to respect, that sort of proposition can be handled.

(The statement submitted by Senator Stewart is as follows:)

On April 19 of this year, the Senate Small Business Committee appointed this subcommittee, composed of Senators Murray and Taft and myself as chairman, to prepare a report on the surplus war property problem and to draft a bill for submission to the full committee. On July 21 the subcommittee issued a preliminary report which sought to give comprehensive consideration to the problem, insofar as the subcommittee was able to envisage it at an earlier point in time and experience.

The subcommittee has given wide and intensive study to the surplus war property question, both to issues inherent in disposal itself and to its relation to the whole reconversion problem. We have freely collaborated with those in executive agencies of the Government concerned with disposal and with various congressional groups who have put forth studies and bills. We have now reached considered, balanced, and comprehensive conclusions and these conclusions are implemented in the bill, (of which you have committee prints before you today). This bill was not struck off full-grown from the Jovian brows of the subcommittee members, but represents the striving of many minds in a progressive effort to envisage the problem and formulate an adequate plan to resolve it.

At the outset, let me say that the subcommittee's proposed legislation reflects the thinking of those in the executive branch of the Government now engaged in disposal as their reactions have developed from a growing experience with their task. And it reflects as well the suggestions and advice of spokesmen of the trade and the industry which will furnish the markets and marketing machinery for the disposition of surplus war goods. The subcommittee, however, has not relied entirely upon the judgments of either. We have sought to bring a more comprehensive view to the task of designing surplus war property legislation for the Nation than we have encountered in any one source. And, while we have been fully cognizant of our commission to represent the interest of small business, we have not, we believe, done so at the expense of any other segment of out economy.

In the early thinking about the prospective problem of surplus war-property disposal, some leaders, fearing the effect of huge stores of property turned loose on our domestic markets, suggested freezing these stores until after the transition from wartime to peacetime production had been made. This view, however, did not long occupy the minds of those who gave study to the problem, for it was obvious that the threat to the future of such frozen stores would be as disturbing to the business world as uncontrolled dumping of war property when it was declared surplus.

I should like, in this connection, to call attention also to the recent comment of Dr. A. D. H. Kaplan, of the Committee for Economic Development, in his recently published book, The Liquidation of War Production. "The fundamental principle, by which every specific application of surplus disposal policy has to be tested, is that the Government's inventory should be made available for the use of consumers without unnecessary delay," says this distinguished economist, now serving as consultant to the House Committee on Post-War Economic Policy and Planning. And again, "An undistributed surplus hanging over the market is a threat to healthy business enterprise * * * Timing of sales to avoid periods of excess market supply and general business depression is highly desirable. But when the choice must be made between a prolonged market overhang and a brief crisis, the latter is preferable as the surer path to resumption of normal relations between supply and demand."

So the freezing-of-all-surplus-war-property idea definitely belongs to first-scare reactions of the early consideration of the problem.

I would like to pause here to say that the early consideration of the problem brought forth something exceedingly different from first-scare reactions in the Hill-O'Leary bill (H. R. 2795). This piece of legislation, which I believe was the first surplus property disposal bill introduced in Congress, provides very sound over-all permanent legislation for property management among the Government agencies. The surplus war property section of the bill has now, in the light of developments, become inapplicable—obsolete, you might say.

However, section 1 of that bill, which is intended to apply for peacetime after surplus war property is out of the way, is legislation very much needed in our Government. That section evidences careful and comprehensive study of the situation and embodies a soundly organized plan. It has already passed the House and is now on the Senate Calendar. I trust it will be amended to eliminate the surplus war property disposal feature and then be enacted into law at this session. I may add that it is my impression from my conversation with Senator Hill that he has such a plan in mind.

Basically, the subcommittee has conceived the provisions of this bill in the view that surplus war property disposal constitutes a problem in national economic planning for desirable social aims, without losing sight of the importance of recovering for the taxpayer as high a monetary return as possible, consistent with those aims. And it has weighed, too, the hazards of dumping surplus property and of hoarding it, and the discretionary authority requisite to the difficult task of properly timing disposals. It has considered the wide diversity in kind and circumstances of this property and the difficulty of drawing general rules equitably applicable to all.

With these things in mind, the subcommittee has sought to give direction, without hampering restraint, to those who are to do the job.

S. —— opens with a statement of general objectives to govern the disposal of surplus property and provides for executive organization to carry them out under congressional surveillance.

These objectives would require that disposal be so regulated as—

(*a*) To assure the most effective use of such property for war purposes;

(*b*) To achieve the prompt and full utilization thereof;

(*c*) To promote maximum production and employment of the manpower and the natural and agricultural resources of all sections of the country;

(*d*) To effect broad and equitable distribution of surplus property;

(*e*) To facilitate the transition of enterprises from wartime to peacetime production and of individuals from wartime to peacetime employment;

(*f*) To strengthen and preserve the competitive position of small business concerns in an economy of free enterprise;

(*g*) To aid honorably discharged servicemen to establish and maintain their own small business or agricultural enterprises;

(*h*) To protect free markets and competitive prices from dislocations resulting from uncontrolled dumping of surplus property;

(*i*) To discourage monopolistic practices and assure fair prices to the consumer;

(*j*) To utilize normal channels of trade and commerce (without discriminating against the establishment of new enterprises) and assure the sale of such surpluses in such quantities and on such terms as will discourage disposals to speculators or for speculative purposes;

(*k*) To establish and develop foreign markets and promote mutually advantageous economic relations between the United States and other countries through the programmed export of such surpluses; and

(*l*) To obtain the highest return for the Government consistent with the foregoing objectives.

The bill established the Surplus War Property Administration in the Office of War Mobilization, or its successor, and places the agency under the direction of a Surplus War Property Administrator, whose terms of office shall be 2 years and whose salary is fixed at $12,000 a year.

The bill sets up a surplus property board to advise and counsel the Administrator. The personnel of this board will be the same as that of the policy board now functioning under Executive order, with the exception that two representatives each of industry, labor and agriculture, appointed by the Administrator, will be included. Representation from the Bureau of the Budget has been excluded upon request, as improper to the function of that agency.

In general the bill follows the organizational plan now existing under Executive order and that has been indorsed by the subcommittee in its earlier report. However, the bill requires the various disposal agencies to organize advisory committees composed of representatives of large and small business and of labor, farmer, and consumer groups. It is the belief of the subcommittee that these committees can and should play an important role in the direction of surplus property disposal and such a role is made possible under the terms of the bill.

The members of our subcommittee have been deeply impressed by the overshadowing need for truly cooperative effort between Government and the commercial, industrial, and agricultural communities of this country, if any reconversion plan is to succeed. In the concluding section of his book, Dr. Kaplan comments, "The need of unity in the war effort has been fully publicized and fully recognized. Whole industries as well as individual firms have dedicated their resources without stint to the common effort, knowing that if as a people we fail of victory, we lose the very advantages that as individuals we want most to retain. It will be much more difficult to keep our thoughts and actions dedicated to the common cause when the war is over. And yet the sacrifices of the war will be futile if, having won the victory in global warfare, we engage in an all-out struggle of economic interests on the home front as we go through the transition period."

It is with this possiblity in mind that the subcommittee set up the statutory framework for practical cooperative action to insure against such a catastrophe.

The subcommittee has pondered at length the question of authority in the declaration of surplus property. We are of the opinion that this issue of authority is a fundamental one and of great importance. I believe that no one has questioned the propriety of reposing exclusive authority in the owning agencies during wartime and certainly the subcommittee does not. So long as hostilities continue, no one can say what property is essential to the needs and responsibilities of the War and Navy Departments and the Maritime Commission except their respective heads, and this may be true as well for most other departments.

Restoration of peace alters the situation fundamentally. It so happens that the vast majority of war property from which surplus is to be sifted will be in the hands of the Army and Navy Departments and Maritime Commission. Unless and until they declare their property surplus, it remains an incalculable threat to production and marketing in this country. Our experience following the last war is still sharp in the minds of many. It will be remembered that the armed services held great quantities of marketable property for well over a year, when it could have been released to ease the inflationary period due in part to a scarcity of civilian goods, then they released large stores of commodities after the post-war depression had set in. This must not happen again, if surplus war property is to be disposed of without severe dislocation to our domestic economy.

It may be argued that many of us made mistakes following the last war which we will not repeat and that the heads of the armed services may be expected to have profited by experience as much as the rest of us. The subcommittee would not seek to deny it. But the armed services are customarily absorbed in their responsibility for national security and properly so. And they are prone to hold on to property with any conceivable military value—just how prone might be illustrated by an incident recently brought to the attention of the subcommittee. Only a few weeks ago, the War Department declared surplus and transferred to Treasury Procurement a large quantity of silver cavalry spurs purchased for use in World War I and now obsolete for many years.

The fate of the silver spurs may not gravely involve us as a nation, but that is aside from the issue. There will be vast quantities of property to be declared surplus after the war and the timing of its declaration will be fateful; indeed, so fateful that the issue of who is going to have the authority to control surpluses, the civil government or the military, may well govern the whole course of reconversion. Shall it be civil control through a duly appointed and responsible

Surplus Property Administrator, or control by the military authorities who have no responsibility for carrying out the task? In the minds of the subcommittee it is imperative to assure the Surplus War Property Administrator, even at this time, adequate post-war authority, if we are to give him responsibility for the job.

With this in mind, we have limited to the war period the absolute right of owning agencies to declare which property under their control is surplus. Following the cessation of hostilities the Administrator can require necessary information and declare property surplus on his own determination. The owning agency, however, is provided the recourse of an appeal to the President, if in the judgment of its head, the property in dispute is essential to its needs.

The question of monopolistic aggrandizement with its attendant trade restraints is one the subcommittee has given extensive consideration. The subcommittee has discussed a series of proposals and counter proposals with the Attorney General and members of his staff in its effort to develop the most effective legislative plan possible. This free interchange and joint effort, it believes, has produced a provision that is at once flexible, feasible, and well aimed.

In the prospective sale or transfer of larger units of property (the bill fixes a minimum of $1,000,000 value) the Administrator, or disposal agency, is required promptly to notify the Attorney General of its terms and the Attorney General to advise him whether the transfer would either violate the antitrust laws, or encourage monopoly, or undue concentration of industry or commerce, or restrain competition substantially. The Administrator and other agencies concerned are required to furnish the Attorney General any information in their possession necessary to his decision.

The subcommittee regards monopoly in any industry as a state greatly to be avoided; however, the antimonopoly criterion, as defined in our antitrust laws, is an inadequate guide for the distribution of certain kinds of surplus property, if free enterprise and competition are to be promoted and small business preserved. The subcommittee found the Attorney General of this view, too.

He expressed the further opinion that the disposition of some classes of surplus property would involve new and unaccountable circumstances and raise fundamental problems that find no sure direction in existing law. Such problems, he properly thought, should be reserved for Congress to determine. It was with his aid and suggestion that the subcommittee worked out the plan and terms for special study and report covering some 12 categories of property. For example, the wise disposition of synthetic rubber plants, aircraft plants, shipyards, etc., calls for a fine balancing of a great number of considerations which go to the root of our national economy. I would like to note, also, that we have included among other things in these studies, the disposition of new techniques, processes and inventions, transportational facilities and farming lands. In the case of technical intangibles we in this country are still without a defined public policy to govern disposition. Transportational facilities are of such national import that they surely should be the subject of a comprehensive over-all plan. Farming lands should be returned to farmers in a carefully devised way best calculated to strengthen and develop our agricultural resources.

However, the subcommittee, in drafting the bill has been careful not to hamstring the Administrator where he finds public advantage in early disposal of any part or any of these categories of property. The bill provides: "Wherever the Administrator may deem it to be in the interest of the objectives of this Act he may dispose of any property referred to above in advance of the preparation of any plan or before he may have submitted same to Congress", and so again flexibility is consistently preserved. Moreover, the Administrator's reports do not require congressional approval, but Congress must make effective its disapproval through legislation. Thus the bill would avoid any such prolonged tie-up of property after this war, as occurred in the case of Muscle Shoals and the 10 years of congressional debate that followed the last.

The subcommittee said in its preliminary report that in the interest of small business surplus property should be sold in small lots accommodated to its ability to buy. As a general policy in its bill the subcommittee does not withdraw from this position. However, its later study of the developing disposal picture has inclined it toward more flexible restraints.

The bill requires, through the director, that both owning and disposal agencies, arrange for the widest practicable advertisement in disposal and reduce lots offered for sale to the smallest practicable units conforming with marketing policy in the agency concerned. The latter provision is qualified to meet the conditions under which dispositions are actually being made. The subcommittee found that an inflexible rule for the sale of all surplus in small lots would not be feasible for some real property and equipment and even for food. It is likely that an

inflexible application of such a regulation would militate to the disadvantage of small business. Hence, the directions which the subcommittee has written into the bill have beem carefully qualified.

Moreover, the subcommittee has concluded that the effective role of the Smaller War Plants Corporation as an aid to the little purchaser will depend more on positive assistance than in preventive surveillance. In other words, representatives of the Corporation can do more by developing the small business markets—finding buyers and making known to them the goods available and getting purchaser and property together, in coordination and cooperation with the field forces of the disposal agencies—than by merely policing these agencies. Since some of the disposal agencies are finding it important on occasion in the interest of dispatch, to conduct sales in the field, without waiting to complete their central inventories or awaiting specific direction from the central office in Washington, effective cooperation on the part of the Corporation should occur, it seems, on the administrative level, as well as with the policy-making officers. Specific directions on this score cannot well be written into general legislation, but the subcommittee has sought to suggest this character of cooperation in section 15 of the bill, and especially in paragraph (b) of that provision.

Under Public Law 603, the Corporation in 1942 was authorized to take prime war contracts from Government procurement agencies in behalf of small business. This authority was little exercised; nevertheless, in the opinion of the director of the corporation, it was of value in securing a more adequate share of war business for small plants. Despite some protest from disposal agencies and the present Surplus War Property Administrator, the subcommittee remains of the opinion that a similar authority should be conferred on the Corporation in the disposal of surplus property. Hence, it has included in the bill a provision to grant the Corporation the power to purchase surplus property for resale to small businesses, when in the opinion of the director such purchase is required to preserve and strengthen the competitive position of small business.

Believing that States, counties, cities, and tax-supported and non-profit institutions can provide a socially useful outlet for certain surplus property and substantial relief in solving the problem of disposal, the subcommittee has included provisions for donation to them of property acquired for school use. Donation of such property to private institutions not operated for profit has been placed in the discretion of the Commissioner of Education. Other property that could not profitably be placed on the market may also be donated to local governments, and institutions of this character will be allowed to buy surplus property at a 50-percent discount.

Moreover, and in view of the vry large amount of surplus medical supplies and equipment in prospect, the subcommittee has provided for their donation to tax-supported and nonprofit medical institutions under similar discretionary restriction.

While the subcommittee found the freezing of surplus war goods an untenable principle for general use, it is equally convinced that it has sound application in at least one instance. So varying is the nature of the property that will compose our war surplus that one might hazard the guess that there is scarcely any plan so far devised but that has some application somewhere.

In our opinion the plan for freezing surplus fits the situation with respect to stock piles of strategic minerals and metals and we have provided in section 19 of the bill that all Government-owned surplus accumulations of these minerals and metals be placed in the custody of the Treasury Department as a reserve for the Army and Navy for our security, not merely in the present war, but in the event of any future war.

We of course do not advance this plan as a definitive solution of the stockpiling question, but we believe it will fill the bill for the emergency.

There has been a good deal of discussion of the possible threat to our domestic economy and recovery from the return to this country of surplus property sold abroad. This occurred to some extent following the last war. There are some who think Congress should enact an unqualified, inflexible prohibition upon the reimportation of any of these goods. There are others, and I think some of the Surplus War Property Administrator's advisers are among them, who hold that if the disposal program is properly managed there should be no need for such a prohibition, that there should not be enough difference between sales prices at home and abroad to warrant reimportation.

While heartily agreeing with the desirability of the hypothesis of the latter group, we recognize existence of so many incalculable factors in the foreign field that we are convinced the Administrator should at least have some prohibitory authority to fall back on in case of need. We have included discretionary authority.

The subcommittee believes there is a common impulse among the civilian population of this Nation to grant, out of gratitude to the men who have borne arms in our behalf, a preference in the acquisition of surplus goods. In the interest of this special consideration, the bill directs the Administrator in cooperation with the Administrator of Veterans' Affairs to prepare and submit to Congress within 6 months a plan for distributing at a discount to servicemen and women goods of use to them in reestablishing themselves in our domestic economy.

I have touched upon its most important and distinctive features. The bill is at bottom a system of directions to the Administrator of Surplus War Property, with the injunction to take full charge of the job and do his best. But there remains one other assuring provision: I refer to section 5 of the bill providing for congressional surveillance, with specific responsibility fixed upon appropriate committees. He is to work, not only in a goldfish bowl but with a watchful Congress at its brim.

STATEMENT OF HON. ROBERT A. TAFT, UNITED STATES SENATOR FROM THE STATE OF OHIO

Senator TAFT. Mr. Chairman, may I answer Senator Revercomb, also?

This is the difficulty I see with a restriction on sale or any modification of a restriction: Nearly every class of surplus property is different and we cannot say which type shall be handled one way and which type shall be handled another way.

Senator REVERCOMB. I understand.

Senator TAFT. I agree with Senator Johnson's position in part, that some things shall be held off the market entirely. On the other hand, Congress cannot say which they shall be, and there are some that should be sold at once. For instance, we have discussed this matter with the representatives of the automotive industry and the general impression in the industry is that they would like to have everything that is to be sold, sold now, anything in the way of jeeps or extra trucks to be sold immediately. It is going to take them some time to build new ones anyway. They do not feel if those are put out it is going to interfere extensively with the new automobile market when it comes, and they want it out of the way.

Senator REVERCOMB. Will it interfere substantially with employment in the plants?

Senator TAFT. No, I do not think so. They will go right ahead and make new cars. There will be a demand for everything that is sold. Jeeps, if they are out for 2 or 3 years, will not be worth a scrap; they will be thrown away at the end of 2 years. They think people that will buy them will run them for a year or so and then they will get tired of them and buy a new car.

I talked to men from the machine-tool industry yesterday. In the machine-tool industry you have probably one of the largest surpluses that there is. They said, "Yes; undoubtedly there will be some less employment, but we think they ought to be all out of the way. We want the machine tools sold, if they are to be sold. Most of our business anyway is going to be special work, and we will have that. There is going to be a great amount of special machines made for new tools, and as far as the special machines are concerned, they should be sold immediately." They think if they are held by the Government it will interfere just as seriously with the sales of new machines, because all of the plants that are thinking of buying new machines

will figure, "Let us wait a year or two and then we can get the Government machines at half price." They said, "We would be better off probably to get the new ones in and let them replace the old machine tools with these." That is the opinion of these industries who are most concerned.

On the other hand, there may be others where they ought to be held off for some time. I don't know how you are going to handle that except to give discretion to the Administrator to determine it.

There is one thing I suggested after Senator Johnson's testimony. It seems to me we might do something like this, put in a clause that would say that the Director, if he finds that it will create a serious depression or serious unemployment in an industry, may retain these surpluses for any length of time, or he may spread it over so much every year, so he would have authority to do that and could not be blamed later for not having sold it.

I quite realize, with a bill like this, a Director of Surplus Property comes in and says, "My job is to get rid of this property, and I will be criticized if I do not get rid of it. If 3 years from now there is some big surplus on hand, I will be blamed."

I think we can put something in the bill to make it perfectly clear that under circumstances where there was serious unemployment threatened he had perfect authority to continue to hold that surplus. I think there is some such section inserted as (d) where the general policies are inserted at the end of section 14.

Senator REVERCOMB. What page?

Senator TAFT. On page 15. That would be a wise addition to the bill to meet this problem that the Senator has raised.

Now, there is one other respect in which we have met it, because we have provided——

Senator JOHNSON. Pardon me, Senator Taft. Do you have a copy of the proposed section that you would insert there?

Senator TAFT. No; I have not, Senator Johnson. I am suggesting it to you, and I will submit it to the committee. I asked our people to draw it up last night, but they did not have time.

Now, in addition to that, of course, we have provided that the strategic minerals and metals, and even strategic mineral and metal scrap, shall all be frozen and put into a permanent stock pile of the Government.

That does not cover steel or steel manufacture, but it does cover lead, zinc, copper, and a long list of more or less other minerals. That is in section 19, on page 19.

So in that field there is a complete freeze. Those are just raw materials, of course, and scrap which may be the basis of raw materials.

Senator JOHNSON. I want to ask Senator Taft a question if I may, Mr. Chairman.

Senator MURRAY. Yes.

Senator JOHNSON. The reason for transferring this scrap to the Treasury Procurement Division instead of letting the Administrator organize and develop and institute a scrap pile, what is the objective in that?

Senator TAFT. Well, we thought the Administrator was a temporary officer, that probably he would finish this job up in 3, 4, or 5 years, and this is a permanent thing that might go on for 50 years and

Treasury Procurement is probably the best place to put it in. We do not have a strong feeling about it.

Senator JOHNSON. Does the Treasury already have a stock pile of metals?

Senator TAFT. The Metals Reserve Company.

Senator JOHNSON. The Metals Reserve Company has stock piles of strategic and critical metals and materials.

Senator TAFT. They are no more than the custodian for the exclusive use of the Army and Navy, so the Army and Navy have a complete hold on them. It would seem to be foolish for the Army to set up one kind of a stock pile and the Navy another kind. They ought to both be able to draw, if necessary, from the Procurement Division, but I do not think that is a very material matter.

Mr. Chairman, if I might go on, I would like to discuss a little of section 16, on page 17. One of the difficult problems here is the disposition of these plants in such a way as not to create a monopoly. We lay down the general principles. In some of these bills it is said none of the plants should be disposed of until a report is made as to method, that it should come back to Congress and Congress itself pass on it.

There has been a lot of objection to that on the theory that a number of these plants ought to be put to work immediately. We have given authority to dispose of those plants. We require that the Administrator shall submit to the Attorney General the question of the proposed sale or transfer, and we require the Attorney General, within a reasonable time, to advise the Administrator whether the proposed sale or transfer will either violate the antitrust laws or encourage monopoly, or undue concentration of industry or commerce, or restrain competition substantially. The Attorney General objected to giving an opinion, but we felt that the Government should be advised before it sold it.

It is not a question of advising the purchaser or protecting the purchaser so much as it is a question of not having the Government go ahead and sell something if it is violating the antitrust law, and even if it goes further than that, if it is tending to monopoly. So we require the Attorney General to advise the Administrator. That does not have to be a formal opinion. The Attorney General does not want it brought up in some future antitrust suit.

I do not greatly object to that. Antitrust depends on motive, intention, a lot of things that perhaps the Attorney General could not find out.

As we say, the sale of the plant might be a violation of the antitrust laws, as far as the purchaser is concerned, but I think he can show, since the Attorney General advised it was not in violation of the law, that would be a fairly good defense in any attempt later to charge him with a violation of the law in buying the Government plant, unless there were some facts brought out that the Attorney General did not know, in which case he perhaps should be convicted of violating the law. The Attorney General now has agreed to this. He is willing to have this requirement that he advise the Government official whether this is tending to monopoly or not, but he did not want to be required to render a formal opinion of record, and we have not so required.

Senator JOHNSON. Mr. Chairman, may I ask Senator Taft if transfer, as used in his bill, also includes lease?

Senator TAFT. Yes; it does. I think it is so defined in the back, Senator.

Senator JOHNSON. Perhaps it is my own misunderstanding, but I understood Senator Stewart to say that Congress retains jurisdiction over plants costing more than $1,000,000, and that they could not be transferred without the specific approval of Congress, and I understand you now to say just the opposite.

Senator TAFT. I think you misunderstood Senator Stewart. Later on he is required to make a report, on pages 20 and 21 he is required to prepare and submit to Congress within 6 months a report as to these properties, but he does not have to wait for that report before disposing of any particular property.

Senator JOHNSON. He does not have to wait for an act of Congress?

Senator TAFT. No; all he has to wait for is an opinion of the Attorney General advising him that it is not a violation of law; it is not a monopoly. It really puts it up to the Attorney General to pass on that question.

Senator JOHNSON. On that one point?

Senator TAFT. On that one point, that is right.

There are one or two other points. I want to call your attention to the fact that some of the bills have provided the Smaller War Plants Corporation shall have the right to buy surpluses. We do not do that. We simply give him the power to buy. The Administrator still has the discretion whether he will sell or will not sell to the Smaller War Plants Corporation.

We do, however, give them the power to purchase if it is sold at auction, they can put in a bid at auction if they wish, or if it is sold at a private sale and they can persuade the Administrator to sell to them, they can buy it, but they have no absolute priority or preference in the purchase of any particular surpluses.

There is one thing that I think should be discussed with the committee, the provision for donation or disposal to local governments, on page 12. It is rather limited. The surplus property which has been acquired for school classroom or other educational use may be transferred to the Office of Education for donation to tax-supported educational institutions, and so forth.

There is a very large demand from the schools for tools, machine tools particularly, for vocational education, and I am inclined to think we should consider whether those also ought not to be donated. This is confined now to surplus property acquired for school classroom or other educational use.

If it was acquired for training purposes, it could be given away but if it was acquired for some other manufacturing purpose, it could not. I think it might well be extended to tools suitable for use in vocational educational training. We have extended it also to institutions not for profit that are approved by the public officials.

There is one other question that I think is, in a way, an important question of policy to be decided by the committee. That is the matter referred to by Senator Stewart, the declaration of surplus. That is a matter to which there might be some opposition.

In general, every Government agency has the duty to survey the property and declare a surplus. As far as the Army and Navy are concerned, for instance, during the war, that is their job. The Administrator has nothing to do with them. He cannot make them sell anything that they do not want to sell. After the war, however, the Administrator himself, after due consideration and recommendation from these owning agencies, can declare something to be surplus over the heads of the owning agencies, over the heads of the Army and Navy, if you please.

It is provided that a Government agency, which is dissatisfied with that and it says the surplus is necessary to the national security, such agency may appeal from such declaration to the President for a final determination. So it can be blocked, if there is any extreme case, and that would be the restraint put on the Administrator, but that is a conferring of very broad power on the Administrator, and the committee may want to cut it down.

The things I had some doubt about were rather ships, in which case perhaps he might be required to leave that power to the Maritime Commission instead of himself being given the discretion. I assume under this act he would assign it to the Maritime Commission, but some question has been raised as to that and he perhaps should be required to assign it to the Maritime Commission. That is a question of such broad international policy almost that I think the committee should consider whether or not perhaps it may be too broad a grant of power.

Senator JOHNSON. May I ask this question, Senator?

Senator TAFT. As a matter of fact, I have finished all I wish to say. I would be glad to answer any questions.

Senator JOHNSON. On that point, suppose the Administrator would want to dispose of 10,000 war planes and the War Department would say, "No; we do not think these 10,000 war planes should be transferred to nation X," and the Administrator would say, "Sure, we want to sell them; we want to transfer them"; and he would take them away from the War Department and dispose of them against the national defense?

Senator TAFT. If they think there is any interference with national defense, they would simply appeal to the President and he would have power to stop it.

Senator JOHNSON. Whereabouts does the President have the power in this bill?

Senator TAFT. On page 10 from lines 12 to 16:

> If in the opinion of the owning agency the retention of any property so declared by the Administrator to be surplus is essential to the national security such agency may appeal from such declaration to the President for a final determination.

That, in the first place, would check the Administrator, and, in the second place, make it subject to being held up for the President's determination.

I think, Mr. Chairman, that is all I have to say. There are important questions of policy, and this bill undoubtedly gives the Surplus Property Administrator more power than a number of the other bills do, or more discretion.

Senator STEWART. Since Senator Johnson mentioned one question that I answered, with respect to the intent of congressional control of plants, maybe I did not make myself clear. I was testifying rather hurriedly. Section 20, as Senator Taft pointed out, requires that the Administrator, in cooperation with the appropriate agencies, shall

prepare and submit to the Congress within 6 months after enactment of this act a report as to each of the following classes of Government-owned property—that includes these iron and steel plants, and all other plants, perhaps. The definitions are set out there. That is, within 6 months after the passage of this act, without respect to the end of the war.

Senator JOHNSON. Does that say he shall not transfer or sell either before that 6 months' period or after that 6 months' period?

Senator STEWART. No, sir; it does not say that. Several other provisions would prevent the sale of it before the war is ended, of course.

Senator JOHNSON. Yes; but "report" is so much different from a prohibition, I do not see how they can be compared.

Senator STEWART. It might be at the point of the receipt of the report the Congress would want to impose some prohibition on the sale. I don't know how that would be, but that would be for the Congress to determine.

Senator JOHNSON. Congress has adequate authority always.

Senator STEWART. Sure, Congress has adequate authority, but the matter would be specifically called to their attention by this report. They might not otherwise know it.

I call your attention to another provision here, section 17, page 18, of the act which provides:

> Every contract for the sale, or lease for two years or more, of a plant shall be made upon the condition that the purchaser, lessee, or transferee, and their transferees, if any, shall maintain the plant in substantial operation and production for a period of two years next succeeding the effective date of the contract, or, next succeeding the date upon which operations begin after a period of conversion and alteration to be approved by the Administrator.

If it is not operated for a period of 2 years, then the Government, through Congress, may cancel the contract. The contract of sale is made on the condition that it be continued in operation for the period of 2 years.

I would like to call your attention to one other thing, too.

I hate to continually interject here.

Senator TAFT. That is all right.

Senator STEWART. This act also provides for the giving of preferences to veterans of this World War who will want to be rehabilitated and want to return to business.

Senator TAFT. May I add one thing? I said that this gave very wide power to the Administrator of Surplus Property. The bills we are considering in the Senate today, I think both the Kilgore bill and George bill, put the Director of Surplus Property under the over-all Director of War Mobilization and Reconversion, and he is authorized to issue directives to the Director of Surplus Property, so that he has really the final word on what shall be done, except for this one appeal to the President in case of national security.

Senator MURRAY. Senator Taft, I think that this problem of the disposal of surplus property is recognized in this country as probably one of the most important problems in connection with reconversion. There has been considerable comment in some sections of the country, and in the newspapers to the effect that we have been slow in having this legislation brought before the Congress and having it enacted. I would like to have your statement on that as to whether or not there has been any neglect. Is it not a fact that the Congress has been constantly studying this problem and that it is of such a complicated and extensive character that it would have been impossible to rush through legislation of this character sooner than the present time?

Senator TAFT. I think that is true, Senator. Also, there is this to be said about the disposition of surplus property:

Today, there is unlimited power in the Government to dispose of surplus property, only it rests in each individual agency so that there seems to be no tremendous rush about getting this bill through, because if the President sees fit to interfere, at least, and tell the agencies what to do, he can do so. He has, to a certain extent, interfered by creating a Surplus Property Administrator already and giving him certain powers over the agencies. We are not here, as I see it, granting any additional powers. What we are trying to do is to concentrate the thing so there will be a united policy on the disposition of surplus property, and an over-all power rather than a power resting in some 50 different agencies, each one of which today has power to sell everything, or to sell nothing.

Senator REVERCOMB. And also to lay down the plan of regulation.

Senator TAFT. To lay down the plan of what?

Senator REVERCOMB. Lay down the plan of regulation for the disposal of goods.

Senator TAFT. Well, we do not lay down a plan. We expressed some general views as to the policy. That is the general thing we do. But today, as I say, the War Plants, the Defense Plants Corporation could go out and sell every plant that the Government owned to anybody without any of the restrictions that we impose here. The power is wide open.

So there wasn't a tremendous hurry in order to give people the right to get rid of the property. The Termination of Contract bill which we passed before this session, had to be passed because contracts could not be terminated and money paid without about a 2-year delay under the existing statute. That had to be changed. It is rather a matter of trying to improve the general over-all policy of the Government.

Senator MURRAY. Thank you, gentlemen, for your appearance here this morning. The committee will now take a recess.

(Whereupon, at 11 a. m., the committee adjourned.)

TEXT OF A LETTER ON EDUCATIONAL USES OF SURPLUS WAR PROPERTY, WHICH IS BEING ADDRESSED BY THE WAR CONTRACTS SUBCOMMITTEE TO EDUCATIONAL ORGANIZATIONS

AUGUST 1944.

When the war is over the Government will own a vast amount of property originally acquired for war needs but no longer needed for such purposes. Among this property will be large quantities of office equipment, motor vehicles, aeronautical supplies, electronic devices, special educational apparatus, land, buildings, and many other items that might be useful for educational activities. In fact, as a result of shifting war requirements and of curtailments in war production, an increasing volume of such property is already in the hands of the Government.

The War Contracts Subcommittee, which now has before it a number of bills dealing with the utilization and disposition of war surpluses, is vitally interested in the procedures and policies which should govern the utilization and commercial disposition of this property. Accordingly, I should greatly appreciate any suggestions that you may have to offer concerning the educational uses to which such property could be advantageously put. It would be particularly helpful if you could give me your views, or those of your organization, on the following specific questions:

(1) Which, in your opinion, are the types of surplus property that are most likely to be useful in educational activities? What Federal Government agencies will be in possession of those classes of property?

(2) To what extent can the Federal agencies in possession of such surplus property participate in programs involving the utilization of such property for educational purposes?

(3) Should unified responsibility for the disposal of surplus property to educational uses be vested in a single Federal agency, such as the Office of Education? Should Congress authorize the transfer to such an agency of the surplus property that could be devoted to educational activities?

(4) If a single Federal agency is authorized to hold surplus property susceptible of educational uses:

(*a*) To what extent should that agency use the property directly in its own operations?

(*b*) To what extent should that agency distribute the property among educational agencies and institutions?

(5) What policies should be followed by the Federal agency in distributing surplus property among educational institutions?

(*a*) What should be the purposes of such distribution: To assist in developing educational activities in "backward areas"? To promote research, etc.

(*b*) To what extent should distribution be handled through State government agencies? Which ones?

(*c*) On what terms should the property be distributed? Should educational users pay current market prices for such property? If not, what will be the basis for and character of the price policy with respect to such property?

(*d*) Under what conditions and terms should educational institutions acquire equipment which has been changed in design or is obsolete?

(*e*) What conditions should be laid down with regard to maintenance or use? With regard to resale? With regard to recapture by the Government?

(6) Property which is susceptible of educational use can also be sold commercially, or can be utilized in connection with other public programs. How shall the determination be made as to the volume and type of property which will be acquired for educational use, as contrasted with those which will be devoted to other public uses or disposed of commercially?

(*a*) Should the surplus property acquired by the Federal agency in charge of the educational program be limited by the amount of appropriated funds available to that agency for such acquisition?

(*b*) Should the transfer of surplus property to that agency without a charge against appropriated funds be authorized by Congress?

(*c*) In either event, should the Federal educational agency be given the opportunity to satisfy the full needs of the federal educational program before the property is allocated to commercial disposition?

(*d*) Should an over-all Federal administrator be given authority to determine the allocation of surplus properties as between (i) educational uses, (ii) other public uses, and (iii) commercial disposition?

It would facilitate the subcommittee's consideration of this subject if your views could be submitted within the next two weeks.

Sincerely yours,

JAMES E. MURRAY,
Chairman, War Contracts Subcommittee.

CONFERENCE OF EXECUTIVES OF
AMERICAN SCHOOLS FOR THE DEAF,
August 8, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: In reply to your letter of August 4 in regard to the disposal of various war supplies no longer needed by the Government, including special educational apparatus, land, buildings, etc., I can say that in connection with our institution the following types of surplus property would be useful to us, though some of them might not be directly connected with educational work.

First, surplus lumber of various types which might be on hand or the taking down of temporary buildings. This need would not be very great in our institution, but we have had for some time a very great difficulty in obtaining all types of lumber to keep our institution in proper repair and to construct the new facilities needed. Second, though not directly for educational purposes, supplies of blankets and linen for our dormitories would be very desirable; as also plain furniture for bedrooms and folding chairs (steel) for use in our auditorium would be useful. Third, typewriters and typewriter tables would be a great help. We have classes in typing that are using machines now becoming out of date and getting into bad repair. It is difficult to obtain repair work, and the machines are steadily deteriorating. Fourth, portable moving-picture machines. While our institution is equipped with two very good portable machines, they are, of course, getting older every day and do not fill our entire need even when they are in first-class condition. Together with such equipment, films showing various educational processes would be very desirable to supply visual educational needs in our institution. The next item that might be of great value to us would be athletic equipment such as basketballs, baseballs, tennis balls and tennis nets, volley balls, etc., for the use of our physical-education work. In reply to the second part of his question, I believe that the Army and the Navy are both equipped with such material as I have mentioned.

(2) In reply to your second question, I would say that our institution is doing unique work in teaching not only our own [1] deaf people, but in teaching the deaf people from all parts of the country, and such equipment and material as I have mentioned can be very well used to the advantage of these students.

(3) Apparently the distribution of such material might in general be best handled by some one governmental agency to which various State and other agencies might apply. It might avoid confusion and help keep complete lists of all property available if all material of educational use were placed in the hands of some one authority.

(4) (a) I think that the agency handling this property should be allowed the use of office equipment and material with which to aid in the distribution of property, but I doubt if it should be put in possession of a very great amount of this material.

(b) If such an agency is selected for distributing the property I believe that the distribution should be made on some general basis of need as shown by the various applicants.

(5) (a) I think that a considerable amount of such material can well be used to promote educational facilities in backward areas and to promote research.

(b) Apparently State educational departments can be the assistants to the Federal agency in making applications and distributing material.

(c) It seems to me that the material might be placed on sale rather than on free distribution at not more than the wholesale prices and with regard to the fact that much of it might be in second-hand condition.

(d) In the case of obsolete material which still might be used to some advantage, I believe a very much reduced price should be placed on it.

(e) With such wide distribution as would no doubt occur and with the actual sale of this property, it seems to me that the title should be passed to the purchaser and that no idea of recapture should be considered. Otherwise there would be very great difficulty involved in the whole matter.

(6) This is a very difficult question to answer. It seems to me that the endeavor should be made first, to cause the distribution of the surplus property through proper offices to all types of educational institutions at moderate prices; and, second, the remainder should be gradually placed on the market commercially in such quantities as not to glut the market.

(a) If the property is to be sold by a Federal agency in charge, it seems to me that a bookkeeping arrangement might be made by which credits and debits can be arranged without necessarily limiting the amount of property in the hands of the agency to funds available for purchase.

(b) Such an arrangement, I believe, should be properly authorized by Congress.

(c) I believe I have already answered this—that educational needs should be met first probably, if it is possible, through general distribution at reasonable prices before the material is sold commercially.

(c) It would seem to me that someone in high authority should be in charge of all decisions in connection with the allocation of this property.

Yours very truly,

PERCIVAL HALL, *President.*

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[1] Those pupils from the District of Columbia.

THE AMERICAN ASSOCIATION OF SCHOOL ADMINISTRATORS,
Washington, D. C., August 9, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Committee on Military Affairs, Washington, D. C.

DEAR SENATOR MURRAY: I have your letter of August 4, concerning the utilization and disposition of war surpluses.

The American Association of School Administrators has a committee on surplus war materials. The chairman of the committee is Dr. David E. Weglein, superintendent of schools, 3 East Twenty-fifth Street, Baltimore, Md. No doubt you will hear from Chairman Weglein in the near future. Meanwhile, I will give you my personal comments on the questions raised in your letter:

1. Among the types of surplus property which are likely to be useful to educational institutions are textbooks and library books; visual aids; duplicating machines; shop equipment for teaching metal trades, welding, radio, food processing, electrodynamics, etc. School busses are much needed.

2. I doubt whether the Federal agencies now in possession of surplus property can participate to any considerable extent in programs involving the use of the property for educational purposes.

3. I agree with your suggestion that the responsibility for the disposal of such surplus property should be lodged in the United States Office of Education.

4. I doubt whether the United States Office of Education can use any appreciable proportion of the surplus property. To insure its effective use it should be distributed among educational agencies and institutions.

5. In distributing such surplus property consideration should be given to the fact that many schools have worn out essential equipment in conducting their intensive war training programs. Property thus worn out should be replaced without cost. Much of the surplus will thus be distributed.

State departments of education constitute the ordinary channels for handling such materials within the several States. In general, allocation should be governed by need, which would mean that "backward areas" should receive special consideration.

Maintenance should be at the cost of the local school systems and I doubt the advisability of resale. In case of emergency, the Government should have the right of recapture.

6. It seems to me unsafe, at least for the present, to allocate surplus educational materials for commercial disposition, lest normal employment be seriously interfered with. In this connection it also seems desirable to safeguard against excessive demands over and above actual needs on the part of educational agencies.

No doubt there are others better qualified than I am to comment on the authority that should be given to the over-all Federal Administrator.

Very truly yours,

S. D. SHANKLAND *Executive Secretary.*

HASTINGS COLLEGE,
Hastings, Nebr., July 14, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the Senate,
Committee on Military Affairs, Washington, D. C.

MY DEAR SENATOR: I have today received from the National Education Association a letter concerning the disposal of surplus war materials and supplies. This letter states that the National Education Association advocates distribution of such materials, without cost, to tax-supported schools and colleges.

With such distribution I am heartily in accord, if the base is extended to include those quasi-public institutions which though under nonpublic control. have served the public interest without stint or limit in the present emergency. Clothed as we are with the public interest and public service, we of the so-called "private" colleges feel that any distribution of surplus commodities should be extended to our type of institution as well.

It is to the interest of the United States to preserve both types of schools—public and private—in a strong condition. To distribute surplus commodities to the one without a similar boon to the other will serve to throw a great degree of imbalance into the scale—an imbalance from which we may not ever recover.

I believe strongly in a public system of education. I am myself a product of public schools and a state college. But I believe, too, that the nonpublic Christian college is a keystone in the arch of our democratic institutions. In these days of growing Stateism I bespeak your interest in the independent colleges of America whether Catholic, Protestant, or "independent."

Sincerely,

WM. MARSHALL FRENCH, *President.*

BELLWOOD-ANTIS PUBLIC SCHOOLS,
Bellwood, Pa., July 17, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs, Washington, D. C.

DEAR SIR: I feel that one of the best uses which could be made of the supplies and equipment now and later being used by the armed forces would be to turn these materials over to our educational system for use in the peacetime pursuits.

The schools have always been handicapped by lack of sufficient and suitable materials of instruction and I know of no better way to dispose of these materials than to put them into the hands of the public schools of our Nation.

I therefore would ask that you render your fullest support to any legislation which will provide that the schools benefit from the use and possession of these materials.

Most sincerely yours,

GEORGE D. WEISS, *Supervising Principal.*

SUPERINTENDENT OF SCHOOLS OF JACKSON COUNTY,
Holton, Kans., July 17, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs, Washington, D. C.

DEAR SIR: The educational leaders of Jackson County, Kans., are very interested in your making surplus war property suitable for educational use available to schools and colleges as soon after the war as possible.

In no other branch of public service can this material do as much good to so great a number of people as in our schools.

Sincerely yours,

CORINNE RICHARD,
County Superintendent, Jackson County Kans.

CITY SCHOOLS OF DECATUR,
Decatur, Ga., July 17, 1944.

Hon. ROBERT RAMSPECK,
The House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN RAMSPECK: This communication is in connection with the proposal made by the National Education Association wherein Congress has been asked to pass legislation which, if enacted, will make surplus supplies available to public educational institutions during the post-war period without further cost. The undersigned as well as members of the Board of Education of Decatur have given the proposal very thorough study and it is believed that the terms are basically sound.

It is known to almost every one that the war's surplus stock pile is building up continuously and when peace comes will include vast quantities of materials useful and valuable in the education and retraining of youth and war veterans during the readjustment period. The Decatur school system must assume its share of that retraining program. To do this will require materials and equipment the quantity of which is at the moment undetermined due to lack of knowledge of the size of the task involved. This equipment and material is not now available on the open market and it is not believed that it will be available immediately after the war in time to be used during this retraining program.

It is earnestly urged, therefore, that you actively support this proposed legislation for the disposal of wartime surpluses that can be efficiently used in public-school programs.

Thanking you for your interest and continued cooperation, I am

Sincerely yours,

O. L. AMSLER,
Superintendent.

MAYVILLE PUBLIC SCHOOLS,
Mayville, Wis., July 17, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Committee on Military Affairs,
Senate Office Building, Washington, D. C.

DEAR SIR: I am asking you to support legislation which will make surplus war property suitable for educational use, available to schools and colleges when no longer needed for the carrying on of the war. There are billions of dollars of such materials which can be put to good use when no longer needed for winning the war.

Sincerely yours,

GEORGE E. JONES,
Superintendent of Schools.

GLASGOW PUBLIC SCHOOLS,
Glasgow, Mont., July 18, 1944.

Hon. Senator JAMES F. MURRAY,
Butte, Mont.

DEAR SENATOR MURRAY: Press notices suggest that it might be possible for the vocational department of our high school to receive part of the machinery, tools, trucks, and tractors for our vocational training department. Will you please tell us what steps to take in order to be in line for the receipt of this equipment?

Very truly yours,

R. L. IRLE,
Superintendent of Schools.

BOISE JUNIOR COLLEGE,
Boise, Idaho, July 19, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the Senate
Committee on Military Affairs, Senate Office Building,
Washington, D. C.

DEAR SIR: Our attention has been called to the fact that surplus war materials suitable for training and instructional purposes may soon be available to educational institutions.

As one who is very much aware of the need for this sort of thing in the post-war period, may I urge you to do all in your power to aid in the enactment of legislation which will provide the same to tax-supported schools at no cost. I am sure you appreciate how difficult it is for public-supported institutions to purchase all of the new and up-to-date equipment we would like to have and need in doing the best possible job of educating and training our young people. Any lack in this regard will be decidedly more acute in the post-war period, as we assume the responsibility of retraining thousands of young men who have served in the armed forces. Our present experience in the training of members of the United States Cadet Nurse Corps along with the general trend toward increased technical skills bears out the fact that our present facilities are going to be inadequate.

I have gone over this problem with our instructional staff and have attached hereto a list of the items which could profitably be used in our institution.

Thank you for your kind attention and assistance in this matter.

Respectfully yours,

CONAN E. MATHEWS,
Acting President.

[Boise Junior College Needs, from "What is Likely to be Available"]

"YOUR SHARE IN A BILLION DOLLARS"

(From Legislative and Federal Relations Division, National Education Association of the United States, Washington, D. C.)

(*a*) Aeronautic equipment, parts, repair tools, motors, and apparatus.
(*b*) Electronic equipment, radar, radio, and other radiations apparatus.
(*c*) Visual aids—projectors, films, maps, charts, graphs, etc.

(*d*) Radio instruments, supplies both for receiving and broadcasting, and for training purposes in shops and laboratories, tools, and parts.
(*e*) Musical instruments, supplies (music stands, recordings, orchestrations).
(*f*) Transportation equipment, such as 25-passenger bus and station wagon.
(*g*) Miscellaneous materials—books and sporting and recreational goods.
(*h*) Laboratory equipment and supplies for training in biological, chemical, physical, and other sciences (microscopes and slides, scales, balances, electric muffle furnace, chemical films, autoclave, sterilizers, hot-water baths, constant temperature baths, inoculating needles, fermentation tubes, *p*H meters, colorimeters, resistance boxes, potentiometers, charts, models and parts, skeletal materials, physiological apparatus, etc., blood-count apparatus).
(*i*) Dormitory equipment (room furnishings, beds, mattresses, blankets, kitchen and dining room equipment, stove, refrigerators, utensils, etc.).
(*j*) Business equipment (typewriters, office machines, mimeograph and duplicator, dictophones, etc.).

NATIONAL SCHOOL SERVICE INSTITUTE,
Chicago, Ill., July 19, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs,
Senate Office Building, Washington, D. C.

MY DEAR SIR: A proposal has recently been made by the legislative Federal relation division of the National Education Association, regarding the distribution of surplus war materials to schools.

Certainly the disposition of this material is a major problem. It obviously must be done so that it will not hamper the reemployment program following the war. The amount of material available for disposal would, if thrown into the school indiscriminately, eliminate all further manufacturing of many lines for years.

The National Education Association has advocated an equalization of school opportunity through use of Federal funds. If surplus war materials are used by destitute schools and institutions only, it would be in line with this policy. However, if this material is made available to schools generally, it will mean widespread unemployment and the closing of many plants.

I would like to suggest to you that consideration be given to orderly disposal of surplus material which will make it possible for these destitute institutions to procure material but so that it will not fall in the hands of those who can obtain the material in the regular manner.

If such a program is followed a vast amount of help can be given to those who have the greatest need and the manufacturing industry can survive. It is as important that the school materials manufacturing industries be preserved for the future progress of education as it is that industries capable of producing war materials be at all times preserved for the defense of the Nation.

I earnestly hope that you will bear these points in mind when legislation is proposed for the liquidation of surplus war materials.

Yours very truly,

H. F. MARTIN, *President.*

RANDOLPH HIGH AND GRADED SCHOOLS,
Randolph, Vt., July 20, 1944.

Senator JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

GENTLEMEN: This letter is in regard to the appearance on May 5 of Martin Moe before the War Contracts Subcommittee of the Senate Military Affairs Committee in regard to the distribution to schools of surplus war material when the war is over.

We heartily endorse the plan of this National Education Association to make available to schools and colleges these surplus materials, such as aeronautic, electronic, radio and laboratory equipment, shop tools, musical instruments, science instruction books, and athletic equipment.

It is only through a reasonable distribution of these goods to public educational institutions that they can train their graduates sufficiently to meet the high

educational qualifications necessary for a suitable employment during the post-war period.

Respectfully yours,

RANDOLPH, INC., SCHOOL DISTRICT,
STANHOPE BRIGHAM, *Clerk.*

MASSACHUSETTS TEACHERS FEDERATION,
Boston, July 21, 1944.

Hon. JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: We hope very much that some plan can be worked out to make available to public schools, without cost, surplus war materials which might be useful in the educational process. There must be a tremendous quantity of surplus war material which will later be available for use, part of which would be very valuable for school use.

The schools will, after the war, have many changes to make in their methods and offerings, and will also have much to do with the reeducation of war workers and the further education of discharged veterans. Moreover, the schools after the war will not be in a financial position to buy this surplus material to any great extent. It has already been paid for by the taxpayers of the Nation, and ought to be given free to public agencies like the schools.

I hope that this, and other similar letters from educational parties, will help to persuade you that the schools of the Nation are entitled to the consideration asked.

Respectfully yours,

HUGH NIXON,
Executive Secretary and Editor.

PUBLIC SCHOOLS,
Helena, Mont., July 21, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: It has been called to our attention that you and Representative Walter are the chairmen of the respective Senate and House committees charged to hold meetings on legislation treating the subject of the disposal of war surpluses.

It has been pointed out that there will be not less than 1½ billion dollars worth of school equipment in the Nation's stock pile at the end of the war.

It would seem that these surpluses that could be utilized by the schools of our country should be earmarked or diverted to them. The schools are in great need of equipment, as their present stocks are well worn because of the hard use they have been put to by the war training programs.

We would appreciate your supporting our interest in the allocation of these surpluses to the schools and colleges of our country.

Yours truly,

RAY BJORK,
Superintendent of Schools.

BOZEMAN CITY SCHOOLS,
Bozeman, Mont., July 22, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

HONORABLE SIR: I am writing in behalf of the Board of Education of Bozeman, Mont., regarding to the allocation of supplies and physical equipment that will be classed as surplus material at the close of the war. We have in mind lathes, typewriters, visual projection equipment, etc.

In my opinion the education organizations can best use this equipment without disturbing our economy. I am including a detailed statement of the reasons for this belief.

"(1) Our position is that surpluses should be disposed of with due regard to the welfare and stability of our national economy following the war; (2) these materials are the possession of the American taxpayer, and have been paid for; (3) the

schools of the Nation are with few exceptions without buying power to compete for the possession of surpluses; (4) the schools are in great need, particularly because of depreciation resulting from wartime uses to which school plants and their contents have been applied; (5) allocation of needed surplus materials to education will lessen the threat inherent in these surpluses to our national economy."

Will you please give this your immediate consideration? I shall be pleased to have your reaction to this communication.

Most sincerely,

D. S. WILLIAMS, *Superintendent.*

MONROE PUBLIC SCHOOLS,
Monroe, Ga., July 22, 1944.

Hon. JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR: We school people of the Nation are extremely interested in the disposal of war surpluses after the war, both from the standpoint of how such action will affect the economy of the country and from the standpoint of how the schools can help in making these goods mean most to the people.

Since much of the goods are purely wartime creations, we don't believe that their disposal without cost to the schools and other public institutions will greatly affect ordinary peacetime business. Since they have been paid for out of tax money from all the people, an equitable distribution of them will be hailed as an act of sound judgment and economy.

Ever strained to provide adequate material facilities for our schools, the school boards of the South see immense possibilities for the educative process if these goods can be brought into the schools for instructional purposes. The value to students of such equipment as meteorological devices, radio, engineering instruments, aircraft engines and parts, machine tools, and other laboratory equipment is readily foreseen.

The depreciation of school equipment during the war, plus the inability of the schools to replace old equipment with new, has greatly affected the instructional program.

Seeing the boon that a wise disposal of these surpluses will bring to the schools and eventually to the people, and believing that post-war economy will not be materially affected thereby, we urge you to help enact legislation that will provide for an equitable distribution of the goods.

Very truly yours,

H. B. CAUSEY, *Superintendent.*

MARION COUNTY SCHOOLS,
Buena Vista, Ga., July 22, 1944.

Hon. JAMES E. MURRAY,
Washington, D. C.

Subject: Disposal of war surpluses.

MY DEAR SIR: Our schools can use some and we need it very badly. Schools in poor counties like this one are very poorly equipped and any equipment such as we could use would be a blessing. I trust your committee can do something about it and it will be more than appreciated, and, I think, will meet the approval of the taxpayers throughout the Nation.

Yours very truly,

H. M. CLEMENTS, *Superintendent.*

HEARD COUNTY BOARD OF EDUCATION,
Franklin, Ga., July 22, 1944.

Senator JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: Much is being said recently about what should be done with the war surplus goods and I am writing requesting that I personally believe that much of this material should be given to the public-school systems

of the Nation without cost on the part of the system due to the fact that the equipment has already been paid for with public money and by putting it into the school systems the public would realize full benefit of it.

The average school system is not financially able to purchase the equipment needed and, too, probably the equipment could be released to the schools with the least amount of disturbance from an economical standpoint. I feel that if a portion of the surplus is given to the schools we will in the long run realize by selling the goods and placing the proceeds on the war debt.

I solicit your serious consideration in this matter and your loyal support if you deem it proper.

Respectfully yours,

N. A. ROGERS, *Superintendent of Schools.*

DECATUR BOYS' HIGH SCHOOL,
Decatur, Ga., July 22, 1944.

Hon. ROBERT RAMSPECK,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN RAMSPECK: I feel that I should give you my reaction, as a high-school principal, toward the proposal of the National Education Association in which Congress has been asked to legislate means of disposing of surplus supplies to public educational institutions during the post-war period without additional costs to the schools. We are all aware of the great surplus that will soon be on hand.

We realize that we shall have a definite part in the training and readjusting of the members of the armed forces into civilian life again. From a local standpoint financing proper facilities for such training seems out of the question. But if equipment is made available so that schools may come into possession of it in the near future, or as soon as the Government is able to release it, we will be better prepared to serve those from our community who return from the battlefields.

In view of the above facts, let me urge you to lend your entire support to the proposal of the National Education Association for the distribution of wartime surpluses.

May I thank you in advance for the careful consideration I am sure you will give to this matter.

Yours very truly,

T. G. LOUDERMILK,
Principal, Decatur Boys' High School.

OFFICE OF SUPERINTENDENT OF SCHOOLS,
Detroit Lakes, Minn., July 22, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the Senate Committee on Military Affairs, United States Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: There will, no doubt, be a great amount of war's surplus in stockpiles left when production for war purposes ceases.

Much of this material can be most valuable to the educational system of our country, where materials have been curtailed due to the war priorities of the country at large.

The tax-paying public has provided funds for this material and we, as educators, feel that such material as can be transferred in the furtherance of education should be reverted to such fields of learning to which they would apply. I refer to such materials as tools, apparatus, and equipment used in teaching; visual aid properties such as projectors, films, maps, charts, etc.; radio equipment for training purposes, scientific materials for study, etc.

May we ask your support in promoting the transfer of such materials to the educational systems. Thank you.

May I also refer to Senate bill S. 1946 and House bill H. R. 5079. This bill which provides for the "vocational training and retraining programs for veterans, workers demobilized from war production plants, and for other youths and adults" encompasses a free system of education for every person in the Nation. This type of "N. Y. A." program is a tremendous expense and a poor investment.

I am definitely opposed to such blanket regimentation of education. I am in favor of granting such opportunities for returned service men and women but not for those who have had and can have opportunities to secure an education by their own efforts and endeavors.

Very sincerely yours,

CLARISSA M. BERGQUIST,
County Superintendent of Schools.

JACKSON, OHIO, *July 24, 1944.*

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the Senate Committee on Military Affairs, United States Senate Office Building, Washington, D. C.

MY DEAR SIR: Many of our Nation's schools, particularly those located in low valuation areas, are poorly and inadequately equipped. The citizens of these same areas have made contributions to the war effort commensurate with others and in many instances proportionately greater than have those living in more fortunate surroundings.

When the war ends, billions of dollars' worth of surplus material which would be of great value to public education, will be lying in warehouses, on docks, in cargo vessels, and at storage depots. Motion-picture projectors, radios, maps, books, hand and power tools, laboratory apparatus, typewriters and office equipment, and furniture constitute a part of this war surplus needed by our schools.

The great tax burden of the Nation will make it difficult for financially weak school districts to secure needed funds to purchase new equipment. Furthermore, new equipment is not now available and since school needs are immediate everywhere, the Army surplus is the only source. Should this be closed to schools, then the plight of free public education would become even more serious.

The United States Army has been outstandingly successful in its training program because it has had the finest teaching personnel the Nation could produce, the best equipment possible, and the product of the American public schools as students.

What better use could possibly be made of this vast amount of usable and much needed material than to return it, according to need, to its original purchasers, the American people, for use in the public education program?

As representatives of organizations believing in the best education for youth it is possible to provide, we respectfully urge your support of any legislation designed to free this Army surplus and to distribute it equitably to the public schools of the Nation.

BUSINESS AND PROFESSIONAL WOMEN'S CLUB.
CHLOE MALONEY, *President.*
RUTH HUTCHISON, *Secretary.*

WILKES COUNTY BOARD OF EDUCATION,
Washington, Ga., July 24, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR MR. MURRAY: I wish to urge you as chairman of the Senate committee whose responsibility it is to dispose of war surpluses, to secure the passage of such legislation as to provide for the donation of certain war surpluses to the public schools of the United States. I feel that war surpluses have already been paid for by the taxpayers and since the schools are operated out of tax money that it would save taxpayers should war surpluses be donated to the schools.

The schools are in great need because of depreciation resulting from wartime uses to which school plants and their contents have been applied. Also schools lack the money necessary to purchase these war surpluses in the open market. Due to the fact that Federal taxes have been greatly increased due to the war it is unlikely that State governments or local school systems will be able to increase taxes for school purposes which will enable schools to purchase the needed war surpluses.

If certain war surpluses are donated by the Government to the schools the individual would be prevented in such action from competing with the manufacturer in the sale of such goods.

I wish further to call your attention to the fact that should the Federal Government donate such war surpluses the plan could be worked out whereby schools that are least able financially could participate in the distribution.

I feel that it is unnecessary to present to you all the reasons that would justify such legislation but I wish to urge you and the committee to give favorable consideration to the proposed plan.

With kindest regards, I am

Cordially yours,

W. T. CALLAWAY,
County Superintendent of Schools.

COALINGA DAILY RECORD,
Coalinga, Calif., July 25, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Committee on Naval Affairs, Washington, D. C.

DEAR SENATOR: I understand that there hgve been accumulated in the War and Navy Departments large quantities of war materials that will be placed on the market as soon as the war is over. Included in this equipment are such items as aeronautical, electronics, visual aids, radio, shop, laboratory, and transportation material, which would be highly valuable as teaching aids for the American youth in the high schools and colleges of the nation.

In many States of the Union educational institutions are handicapped by not having sufficient funds to provide for the purchase of necessary and adequate educational material at market prices, and it is my firm belief that Congress should provide that a sufficient amount, when not needed by the two departments, be turned over to the public schools for educational and training purposes, without cost.

Our Nation found that a great amount of time was wasted in the education of the youth of the land when they were called into service. If proper training had been available in our schools much of this time could have been saved in this present emregency.

We do not want another war but, in the meantime, after peace comes, our people should never again be so utterly unprepared as to the physical fitness of our youth and the basic training they could have acquired in their high schools and colleges.

It is, therefore, with the educational value of such material, already paid for by the taxpayers, that I am urging you to give your support to such action as Congress may take in the matter, to assure our public schools the availability of sufficient war material for this kind of educational activity for young America.

There is no better way I can think of to assist our educational institutions, especially the schools in States of the Nation that do not enjoy the advantage we have here in California.

Respectfully yours,

F. J. MCCOLLUM, *Editor.*

DELANO UNION ELEMENTARY SCHOOL DISTRICT,
Delano, Calif., July 25, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the Senate,
Committee on Military Affairs, Washington, D. C.

HONORABLE SIR: Legislation making available surplus war materials such as visual aids, tools, and laboratory equipment to this district would be exceedingly beneficial at this time. We are in need of these things. No purpose would be served if we had to purchase these things through dealers who had purchased from the Government. Direct transfer would render the greatest good to the greatest number.

Your favorable consideration of such legislation will be most appreciated.

Cordially yours,

WILLIAM F. KIMES,
District Superintendent.

GORDON LEE HIGH SCHOOL,
Chickamauga, Ga., July 26, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: I understand that the Federal Government is soon to begin disposing of a large amount of surplus tools and equipment, now owned by the armed forces.

I do not know just what the plan of your committee is in disposing of this material; yet, since this material is owned by the people of America and has been paid for from the tax money, these goods should be used where they will serve the greatest number, with special concern for the future citizenship, who will have much of this bill to pay.

Much of this equipment is well suited for use in the schools in maintaining the plants and giving vocational instruction to the youth of the land. The schools are laboring under great handicap for lack of means to supply the needed equipment. Most schools are not giving the instruction they would like to give because they do not have adequate facilities. Therefore, it seems to me that your committee would be rendering a great service to the youth of our land by placing as much of this equipment, as can be used effectively by schools, at their disposal. This would not interfere with the regular avenues of trade but would encourage better vocational training and better maintenance of the schools of our country.

I respectfully ask that you and your committee give this your careful consideration.

Respectfully,

W. M. PATTERSON, *Superintendent.*

COALINGA UNION HIGH SCHOOL DISTRICT,
Coalinga, Calif., July 26, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs, Washington, D. C.

DEAR SIR: My attention has been called to the fact that there are accumulating large quantities of war materials that will be placed on the market as soon as the war is over. Included in this list are such items as aeronautics, electronics, visual aids, radio, shop, laboratory, and transportation equipment, which would be very valuable as teaching aids in our high schools and colleges.

As many of our educational institutions are handicapped by not having sufficient funds to provide for the purchase of the necessary educational material at regular prices, I am urging that Congress should turn over to our public schools, without cost, those materials and supplies which can have educational value.

"The stock pile of surpluses, necessary in time of war to provide a margin of safety for victory, can be, and should be, dedicated following the war to the arts of peace and prosperity."

It is with the educational value of much of this material in mind that I am urging you to give your support to such action of Congress as will insure to our public schools and colleges the availability of a sufficient amount of war material for educational purposes. There is no better way of assisting our schools in providing the best kind of training for our youth and our war veterans, than by providing them with such teaching devices as will give the latest and the best in the respective fields.

Yours sincerely,

T. A. ELLESTAD,
District Superintendent.

UNION CITY SCHOOLS,
Union, S. C., July 26, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Committee on Military Affairs, Washington, D. C.

DEAR SIR: I am in hearty agreement with the statement of Martin Moe, submitted to the War Contracts Subcommittee of the Senate Military Affairs Committee, on Friday, May 5, 1944.

The gist of his statement was that from every standpoint it would be the part of wisdom to make surplus war property, suitable for educational use, available to schools and colleges.

I respectfully request that you study this proposal and then give your active support to legislation which will accomplish this purpose.

Yours very truly,

ROY A. HOGREFE, *Superintendent.*

HARDIN COUNTY BOARD OF EDUCATION,
Elizabethtown, Ky., July 26, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR: According to the figures of the National Educational Association there will be not less than one and one-half billion dollars worth of school equipment in the Nation's stock pile at the close of the war.

The leaders in the educational profession believe that this surplus should be disposed of with due regard for the welfare of our national economy. We further believe that the materials in this surplus are the possessions of the American taxpayers.

The schools will not have the buying power to compete with private enterprise in securing a part of the graet surplus, but they will have a great need for they have suffered from depreciation resulting from the wartime uses to which the school plants and their contents have been applied.

The allocation of this surplus to the schools will make available materials useful in the educative processes, and at the same time will help to lessen the threat inherent in these surpluses to national economy and stability.

The educators of Kentucky and the Nation are interested in your favoring legislation that will insure that at the close of the war the schools will receive a fair share of this equipment. I urge you to use your influence and to make every effort to secure this allocation to the schools.

Yours truly,

G. C. BURKHEAD, *Superintendent.*

THE BOARD OF EDUCATION,
Salt Lake City, Utah, July 27, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee on Military Affairs,
Washington, D. C.

DEAR SENATOR MURRAY: Through the national press and other sources, it is reported that agencies of the Federal Government are preparing to liquidate quantities of materials and supplies accumulated as reserves during the present emergency.

Much of the materials, equipment, and supplies, making up such stock-pile reserves over our several States, are badly needed in public and vocational schools as well as by the many universities in their instructional, maintenance, and building development programs.

It would serve public interest to a far greater extent if such reserves were made available for direct purchase by our schools and other local governmental departments rather than to dispose of them through the customary channels heretofore used. Our own school district is amply able to pay a proper price for materials it needs and the same is true, we believe, with other schools.

Educational advancement and local public needs are of interest to all citizens. It seems consistent therefore, that we ask the matter of liquidation of surplus materials be looked into.

Since other school and civic body officials are interested in this matter, other national officials will, no doubt, be contacted soon.

Respectfully,

R. Y. GRAY, *Clerk.*

GREENUP INDEPENDENT SCHOOL DISTRICT,
Greenup, Ky., July 27, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR: At the close of the war there will be an immense quantity of surplus materials to be disposed of and distributed throughout the United States.

As you will be in charge of hearings in regard to this distribution it will be hoped that you will have in mind the needs of the schools of the Nation in comparison with other units interested with greater means of purchasing power and other means of obtaining these surplus materials.

You realize the surplus is the product of taxes of the entire citizenship of the Nation and that the schools have suffered quite as much as any or more than any other of the essential organizations in the stress of war preparation, besides the allocation of a substantial portion of the surplus to the schools will reduce the dangers embodied by the mere existence of the surplus to our national economy.

We understand your great responsibilities as individual members of the committee have thrust upon you but you will have the greatest load to carry as the chairman so it is to be hoped that you will render a signal service to the whole Nation in its every consideration, but you will not find a more needful element in the whole structure of public interest than is found in the schools in general for a very generous portion of whatever materials which may be allocated in behalf of their needs.

With best wishes,

L. T. DICKENSON,
Superintendent of Schools.

MASON COUNTY SCHOOLS,
Maysville, Ky., July 27, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: What agencies or institutions will be in more need of materials at the end of the war than the schools? What institutions will be less able to buy? We appeal to you for your influence in seeing that schools get their share of surplus war materials without cost.

Very truly yours,

EMORY G. ROGERS, *Superintendent.*

BIG HORN COUNTY,
Hardin, Mont., July 27, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: I hope you will use your influence in making available to schools, without cost, war surplus materials useful in the educative process.

Our position as members of the great teaching staff is that surpluses should be disposed of with due regard to the welfare and stability of our national economy following the war; these materials are the possession of the American taxpayer, and have been paid for; the schools of the Nation are with few exceptions without buying power to compete for the possession of surpluses; the schools are in great need, particularly because of depreciation resulting from wartime uses to which school plants and their contents have been applied; allocation of needed surplus materials to education will lessen the threat inherent in these surpluses to our national economy.

Thank you for your keen interest in our educational program.

Very truly yours,

LURA P. STRAND,
County Superintendent of Schools.

COUNTY OF MISSOULA,
Missoula, Mont., July 27, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR: Soon, huge amounts of war surplus materials will be in the Nation's stock piles. I heartily urge that this surplus material which is useful in the educative process be made available to the schools of our country.

Very truly yours,

MRS. WINNAFERN H. MOORE,
County Superintendent of Schools.

THE BOARD OF EDUCATION,
Teaneck, N. J., July 27, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs, Washington, D. C.

DEAR SIR: At a special meeting of the Teaneck Board of Education held last evening the following Resolution was adopted unanimously:

"That the board of education write to our Senators and Congressman as well as to the members of the War Contracts Subcommittee of the Senate Committee on Military Affairs, the chairman of the Senate Special Committee on Post-War Economic Policy and Planning, as well as the Administrator of the Surplus War Property Administration, requesting them to support legislation which will make surplus war property suitable for educational use available to schools and colleges."

We trust that this matter will receive your favorable support.

Very truly yours,

JOHN H. RANGES, *District Clerk.*

A. M. BLOOD CO.,
Rock Island, Ill., July 28, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of Senate Committee,
Washington, D. C.

DEAR SIR: The National Education Association and many sincere but, we fear, short-sighted educators are urging Congress to make surplus war materials usable by schools and colleges, available for their use regardless of their ability to buy.

They do not realize that such a procedure is diametrically opposed to post-war planning to avoid the closing of factories and bankrupting distributing agencies, throwing thousands of employees out of work.

We urge that this material be made available only to those schools and other institutions that are destitute of proper equipment and not able to buy, thus equalizing educational opportunities without disturbing the industries that have so faithfully served the schools.

Very truly yours,

A. M. BLOOD.

BOARD OF EDUCATION,
FRANKFORT PUBLIC SCHOOLS,
Frankfort, Ky., July 28, 1944.

Hon. JAMES E. MURRAY,
United States Senator, Washington, D. C.

SIR: In considering legislation concerning the disposal of war surpluses, I am asking amongst the many points that must be considered to maintain the stability of our national economy, that you give serious thought to the question of making available to schools, without cost, war surplus materials useful in the educative process. As you know, the schools of the Nation, for the most part, have not the financial resources to compete in the market for surplus materials. Due to depreciation caused not only by normal usage but by wartime use to which school plants and equipment have been applied, the public-school systems of the Nation are in great need of equipment and material, much of which will be found in quantities in the war surpluses. Allocation of needed surplus material to schools will be one way of lessening the threat to our national economy—a threat which may lie in most other methods of disposal.

I hope you will keep in mind the need of the schools of the Nation in settling this difficult problem of disposal of war surpluses.

Yours truly,

C. D. REDDING, *Superintendent.*

MOUNT STERLING HIGH SCHOOL,
Mount Sterling, Ky., July 28, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR MR. MURRAY: As you are chairman of the committee for the disposal of war surpluses, I am asking that you give careful consideration to the schools of the country. We feel that there will be a great many materials of particular benefit to the schools of our country to be disposed of when this war is over. These materials have already been paid for by the American taxpayer, and as you know, the schools are—with few exceptions—without buying power to compete for the possession of these surpluses.

The schools are in great need particularly because of depreciation resulting from wartime uses to which school plants and their contents have been applied. This is a real opportunity for our Government to aid the youth of America through our school system.

Yours truly,

K. H. HARDING,
Superintendent of Schools.

SUPERINTENDENT PUBLIC INSTRUCTION, PLATTE COUNTY,
Columbus, Nebr., July 28, 1944.

Re surplus war materials for education.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs,
United States Senate Office Building, Washington, D. C.

DEAR MR. MURRAY: We urge you to do everything within your power to support legislation authorizing Congress, at the close of the war, to turn over to public elementary and secondary schools, colleges, and universities, without cost, those surplus materials which have educational value.

Demands upon our educational institutions in the post-war world will be much increased in the training of youth and war veterans.

The passage of such legislation is abundantly justified by the fact that the surplus war property has already been paid for by the same taxpayers who provide the revenue to support our public educational institutions. Those who paid for those supplies are entitled to their continued use.

Respectfully yours,

ROBERT A. QUICK,
County Superintendent.

CATLETTSBURG CITY SCHOOLS,
Catlettsburg, Ky., July 29, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: I am sure that some thought has already been given to the disposition of surplus war materials when the present conflict is over. As a school man and as a citizen I would like to offer a contribution of thought as to what I am convinced would be a great contribution to our general welfare. A great deal of these surplus articles are usable in the school systems of our great Nation and would aid tremendously in supplementing the materials we now have or greatly need but are unable to purchase at the present time in the open market.

These materials have already been paid for by the people and if sold as similar materials were sold after the last war the bulk of it will go to benefit a few large buyers and the general public will have to buy it back as used or new goods at fabulous prices. You and your distinguished colleagues know this situation much better than I do, and I hope that you will see fit to shape legislation as to permit the distribution of these materials to educational institutions throughout the Nation so that the people will continue to derive 100 percent of their investment from this material.

Your position as a distinguished representative of our great Nation is such as to command great respect from all of us, and we shall forever be grateful for your cooperation in carrying out a program which will enable the schools of the Nation to derive some lasting benefit from the distribution of this gigantic mass of surplus material.

Respectfully yours,

FLOYD HALL, *Superintendent.*

MONTGOMERY COUNTY BOARD OF EDUCATION,
Mount Sterling, Ky., July 29, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: From published reports I understand that there will be from one and one-half to three billion dollars worth of surplus war material at the end of the war which the schools can use.

We would like for you to use your influence in getting these supplies for the schools because—

(1) Our position is that surpluses should be disposed of with due regard to the welfare and stability of our national economy following the war.

(2) These materials are the possession of the American taxpayer and have been paid for.

(3) The schools of the Nation are with few exceptions without buying power to compete for the possession of surpluses.

(4) The schools are in great need, particularly because of depreciation resulting from wartime uses to which school plants and their contents have been applied.

(5) Allocation of needed surplus materials to education will lessen the threat inherent in these surpluses to our national economy.

Your influence will be greatly appreciated.

Very truly yours,

(Mrs.) NELL GUY MCNAMARA,
Superintendent.

WILLIAMSTOWN PUBLIC SCHOOL,
Williamstown, Ky., July 31, 1944.

Hon. JAMES B. MURRAY,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I wish to join thousands of my colleagues in the business of school administration in urging you to use your influence for the passage of a good bill to make available to the schools after the war those war-surplus materials useful in carrying on the educative process.

A. W. GLASGOW,
Superintendent Williamstown School.

MOBERLY JUNIOR COLLEGE,
Moberly, Mo., July 31, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: The city superintendents of Missouri have officially gone on record urging the Congress to make available to schools, without cost, war surplus materials useful in the educative process.

We solicit your active interest and support.

Yours very truly,

B. W. BRADLEY,
President, Department of Superintendence.

UINTAH COUNTY BOARD OF EDUCATION,
Vernal, Utah, July 31, 1944.

Hon. JAMES E. MURRAY,
Chairman, Senate Committee on Disposal of War Surpluses,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: In your position as head of the Senate Committee on the Disposal of War Surpluses, you could be a great help to the schools of our country.

No doubt you will have vast sums of material which could be made available to the school districts. If this were distributed gratis to the schools of our country, it would have a tendency to offset the depreciation of school materials and plants resulting from the war economy and the uses to which the school plants and their equipment have been applied during the past few years. It also seems to us as school people that the allocation of surplus materials to the schools of the Nation would lessen the threat inherent in these surpluses to our national economy.

As Americans we have boasted of equal educational opportunities, but the present basis of taxation and distribution of wealth and resources has prevented the attainment of this ideal. The materials you have for disposal are the possession of the taxpayers of the Nation and it seems to us they could not be put to better use than to distribute them to the schools. Because of the limited funds and resources available to the schools they are without buying power to compete for these materials.

We earnestly solicit your attention and the help you might give us from your important office. It is our sincere belief that to dispose of this material to the schools would give the fullest recognition to the welfare of the people of our land and to the stability of our national economy. It seems that this is an opportunity where the Federal Government can aid the schools and at the same time be aiding the Nation in the best way possible.

Very cordially yours,

H. GRANT VEST, *Superintendent.*

UINTAH COUNTY TEACHERS' ASSOCIATION,
Vernal, Utah, August 1, 1944.

Hon. JAMES E. MURRAY,
Chairman, Senate Committee on Disposal of War Surpluses,
United States Senate, Washington, D. C.

As president of the Uintah County Teachers' Association, of Utah, I'm asking you to do what you can about the distribution gratis to public schools, colleges, and universities of war surplus materials which could be used by the schools in educating American children, youth, and adult.

Our position is that surpluses should be disposed of with due regard to the welfare and stability of our national economy following the war. The schools of the Nation are without buying power to compete for these surpluses, yet we need them. An allocation of needed surplus materials to the schools of the Nation will lessen the threat inherent in these surpluses to our national economy.

Sincerely yours,

ARTHUR MANWARING, *President.*

POMEROY PUBLIC SCHOOLS,
Pomeroy, Ohio, August 1, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs,
United States Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: We respectfully solicit your support of legislation which will turn over to public elementary schools, public colleges, and universities, without cost, those materials and supplies from the war's surplus stock piles which have educational value.

We firmly believe that the stock pile of surpluses, necessary in time of war to provide a margin of safety for victory, can be, and should be, dedicated following the war to the arts of peace and prosperity. Where could they be used more effectively than in the public schools?

We further advocate that these materials be made available to the public schools without cost on the premise that the surpluses have already been paid for by the same taxpayers who provide the revenue to support our public educational institutions. Those who paid for these supplies are entitled to their continued use.

Your support of such legislation will be greatly appreciated.

Respectfully yours,

THE POMEROY BOARD OF EDUCATION,
IRVING KARR, Jr., *Clerk.*

COLUMBUS PUBLIC SCHOOLS,
Columbus, Ga., August 1, 1944.

Hon. JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: As the superintendent of a school system in which there is a vocational high school for white children and another for Negro children, the board and I are always having difficulty in securing sufficient equipment. The board and I have read with much interest of the possibility of the Government's turning over to the schools without cost war surplus materials that may prove useful to us.

As a school superintendent of considerable experience, I am asking you please to use your influence in seeing that the Government does dispose of its war surplus materials by giving them to the schools. I believe that the Government would solve an economic problem and at the same time would certainly be of tremendous help in the educational program of the youth of the country. The schools of America plan sincerely to meet adequately the needs of the returning fighting forces. We shall need all the equipment we can possibly secure in order to meet the needs of these men who return from fighting and also of these men and women who will need new training in order to fit into the industries of peace.

Your assistance in this important matter will be appreciated.

Very truly yours,

PAUL M. MUNRO, *Superintendent.*

COALINGA DISTRICT LIBRARY,
Coalinga, Calif., August 2, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Committee on Military Affairs, Washington, D. C.

DEAR SIR: My attention has been called to the fact that there are accumulating large quantities of war materials that will be placed on the market as soon as the war is over. Included in this list are such items as aeronautical, electronics, visual aids, radio, shop, laboratory and transportation equipment, which would be very valuable as teaching aids in our high schools and colleges.

As many of our educational institutions are handicapped by not having sufficient funds to provide for the purchase of the necessary educational material at regular prices, I am urging that Congress should turn over to our public schools, without cost, those materials and supplies which can have educational value.

"The stockpile of surpluses, necessary in time of war to provide a margin of safety for victory, can be, and should be, dedicated following the war to the arts of peace and prosperity."

It is with the educational value of much of this material in mind that I am urging you to give your support to such action of Congress as will insure to our public schools and colleges the availability of a sufficient amount of war material for educational purposes. There is no better way of assisting our schools in providing the best kind of training for our youth and our war veterans, than by providing them with such teaching devices as will give the latest and the best in the respective fields.

Yours sincerely,

FREDERICK F. MULHOLLAND, *Librarian.*

THE AMERICAN LEGION,
Jefferson Howe Post, No. 81,
Jackson, Ohio, July 31, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Committee on Military Affairs, Washington, D. C.

MY DEAR SIR: Many of our Nation's schools, particularly those located in low valuation areas, are poorly and inadequately equipped. The citizens of these same areas have made contributions to the war effort commensurate with others and in many instances proportionately greater than have those living in more fortunate surroundings.

When the war ends, billions of dollars' worth of surplus material which would be of great value to public education will be lying in warehouses, on docks, in cargo vessels, and at storage depots. Motion-picture projectors, radios, maps, books, hand and power tools, laboratory apparatus, typewriters and office equipment, and furniture constitute a part of this war surplus needed by our schools.

The great tax burden of the Nation will make it difficult for financially weak school districts to secure needed funds to purchase new equipment. Furthermore, new equipment is not now available and since school needs are immediate everywhere, the Army surplus is the only source. Should this be closed to schools, then the plight of free public education would become even more serious.

The United States Army has been outstandingly successful in its training program because it has had the finest teaching personnel the Nation could produce, the best equipment possible, and the product of the American public schools as students.

What better use could possibly be made of this vast amount of usable and much needed material than to return it, according to need, to its original purchasers, the American people, for use in the public education program?

As representatives of organizations believing in the best education for youth it is possible to provide, we respectfully urge your support of any legislation designed to free this Army surplus and to distribute it equitably to the public schools of the Nation.

KENNETH V. SHATTUCK,
Commander.
EARL C. FORD, *Adjutant.*

MASSACHUSETTS TEACHERS FEDERATION,
Boston, Mass., August 2, 1944.

Hon. JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: I am writing to you as a member of the Surplus War Property Subcommittee to urge that Federal legislation relative to disposing of surplus war materials give due recognition to the needs of the public schools.

Certainly there will be many kinds of surplus material which will have educational values and which many schools would be delighted to use if it were to be supplied at little or no cost. These surplus materials have already been paid for once by the taxpayers, making it reasonable, I think, to give the material to tax-supported activities of local and State governments, such as the public schools.

The schools of America have done good work in connection with the war effort, and will have to do a lot more in connection with rehabilitation and re-training and education of the veterans and war workers. Therefore, it seems reasonable that the Federal Government should be generous with the schools in connection with disposing of surplus war materials.

Respectfully yours,

HUGH NIXON,
Executive Secretary and Editor.

WEST LIBERTY STATE COLLEGE,
West Liberty, W. Va., August 2, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: It is proper for schools and colleges to expect from the Federal Government surplus war materials that are adaptable to educational purposes. Since the taxpayers have already paid for these materials, anything which the Federal Government does not need and which the schools and colleges can use should be made available to them as soon as possible.

Your support of legislation along this line will be popular throughout the country, if I am any judge of public sentiment.

Sincerely yours,

PAUL N. ELBIN, *President.*

BOARD OF EDUCATION,
Hastings-on-Hudson, N. Y., August 2, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, Senate Committee on Military Affairs, Washington, D. C.

MY DEAR SENATOR MURRAY: In behalf of the Board of Education of Hastings-on-Hudson, N. Y., I wish to ask you to give careful attention to the needs of schools and colleges for surplus war equipment, and to support legislation that would transfer title or custodianship from Federal Government to State and local units of government.

Schools will have a tremendous post-war educational job. Youth will again stay in school as long as possible, as jobs will be taken up by returning servicemen. Servicemen will need reeducation probably to a great extent.

Granting of equipment specified by the schools, and approved by State education departments after investigation, should prove a tremendous boost to schools in meeting post-war educational needs. It will further save the local taxpayer from spending his money twice for governmental purposes.

Very sincerely yours,

JOHN L. HOPKINS, *Superintendent.*

DEPARTMENT OF EDUCATION,
Watertown, N. Y., August 3, 1944.

Hon. JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: In preparation for carrying on the war, there is no doubt but what there will be built up a large surplus of war property and material which would be suitable for educational use in schools and colleges.

May I ask that you support any proposed legislation which will make this material available to the States for use in the public schools?

Respectfully yours,

C. E. SABIN, *Superintendent of Schools.*

HENDERSON CITY SCHOOLS,
Henderson, Ky., August 3, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: I understand that you are the chairman of the Senate committee charged with holding hearings on legislation treating the subject of disposal of war surpluses.

Is there any possibility of Congress making available to the schools of America, without cost, certain war surplus materials and equipment that might be used by the schools?

Most of the schools of our Nation cannot compete, because of inadequate resources, for the possession of surpluses. At the same time, the schools are in great need because of depreciation to equipment resulting from wartime uses. It seems to me that the granting of needed surplus materials to educational institutions will have the double purpose of helping the schools and keeping from the open market a large supply of equipment the sale of which at reduced prices would partially distort our national economy.

Your views on this subject will be appreciated.

Respectfully yours,

THEO. A. SANFORD.
Superintendent Henderson City Schools.

BLUEFIELD STATE COLLEGE,
Bluefield, W. Va., August 3, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: I am informed that you are chairman of the Senate committee in charge of the disposal of war surpluses. I trust that you will be able to recommend to the Congress of the United States that educational institutions, in particular, and other worthy organizations, in general, may be able to have many benefits from this huge stock pile that will inevitably be in evidence at the close of the war.

Bluefield State College is desirous of having many of the various types and kinds of equipment and goods that may be available when hostilities cease. I trust, therefore, that the committee will look with favor on a general distribution of this surplus, and especially so for tax-supported institutions, inasmuch as these goods will have been paid for, or will be in the process of being paid for by the taxpayers' money.

Thanking you in advance for any consideration you may give this matter, I am,

Very truly yours,

H. L. DICKASON, *President.*

NEW JERSEY EDUCATION ASSOCIATION,
Trenton, N. J., August 4, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: The New Jersey Education Association, with a membership of more than 25,000, strongly endorses the distribution of war surplus materials that can be useful in the educative process to the schools. These materials are valuable to the schools and would not bring their value at public sale.

We trust that this plan of distribution of these materials to the schools will receive your favorable consideration.

Very truly yours,

C. J. STRAHAN, *Executive Secretary.*

ILLINOIS EDUCATION ASSOCIATION,
Springfield, Ill., August 4, 1944.

Hon. CHARLES A. MURRAY,
Executive Secretary, United States Senate Special Committee to Study Problems of American Small Business, Washington, D. C.

GENTLEMAN: I am pleased to convey to you the hearty approbation of the Illinois Education Association, for which body I have the honor of serving as executive secretary, for the preliminary report presented by your committee regarding problems of surplus property disposal.

I am particularly pleased with the method of disposal of properties to schools as outlined in section 9, page 20 of Senate Subcommittee Print No. 1, and I hope that the procedure thus recommended may be adopted.

As president of the National Association of Secretaries of State Teachers Associations, I feel that I speak the sentiments of our members who in their individual capacities serve the teachers of the Nation.

Sincerely yours,

IRVING F. PEARSON, *Executive Secretary.*

SCHLUMBERGER WELL SURVEYING CORPORATION,
Coalinga, Calif., August, 4, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the Senate Committee on Military Affairs, Washington, D. C.

DEAR SIR: My attention has been called to the fact that there are accumulating large quantities of war materials that will be placed on the market as soon as the war is over. Included in this list are such items as aeronautical, electronics, visual aids, radio, shop, laboratory, and transportation equipment, which would be very valuable as teaching aids in our high schools and colleges.

As many of our educational institutions are handicapped by not having sufficient funds to provide for the purchase of the necessary educational material at regular prices, I am urging that Congress should turn over to our public schools, without cost, those materials and supplies which can have educational value.

"The stock pile of surpluses, necessary in time of war to provide a margin of safety for victory, can be, and should be, dedicated following the war to the arts of peace and prosperity."

It is with the educational value of much of this material in mind that I am urging you to give your support to such action of Congress as will insure to our

public schools and colleges the availability of a sufficient amount of war material for educational purposes. There is no better way of assisting our schools in providing the best kind of training for our youth and our war veterans, than providing them with such teaching devices as will give the latest and the best in the respective fields.

Yours sincerely,

R. D. FORD, *District Manager.*

JACKSON, OHIO, *August 5, 1944.*

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs, Washington, D. C.

MY DEAR SIR: Many of our Nation's schools, particularly those located in low-valuation areas, are poorly and inadequately equipped. The citizens of these same areas have made contributions to the war effort commensurate with others and in many instances proportionately greater than have those living in more fortunate surroundings.

When the war ends, billions of dollars' worth of surplus material which would be of great value to public education will be lying in warehouses, on docks, in cargo vessels, and at storage depots. Motion-picture projectors, radios, maps, books, hand and power tools, laboratory apparatus, typewriters and office equipment, and furniture constitute a part of this war surplus needed by our schools.

The great tax burden of the Nation will make it difficult for financially weak school districts to secure needed funds to purchase new equipment. Furthermore, new equipment is not now available and since school needs are immediate everywhere, the Army surplus is the only source. Should this be closed to schools, then the plight of free public education would become even more serious.

The United States Army has been outstandingly successful in its training program because it has had the finest teaching personnel the Nation could produce, the best equipment possible, and the product of the American public schools as students.

What better use could possibly be made of this vast amount of usable and much-needed material than to return it, according to need, to its original purchasers, the American people, for use in the public education program?

As representatives of organizations believing in the best education for youth it is possible to provide, we respectfully urge your support of any legislation designed to free this Army surplus and to distribute it equitably to the public schools of the Nation.

BLOOMFIELD TOWNSHIP PARENT-TEACHER ASSOCIATION,
CHARLES ERWIN, *President.*
CLEO H. BARNES, *Secretary.*

GOSHEN CENTRAL SCHOOL,
Goshen, N. Y., August 5, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the Senate Committee on
Military Affairs, Washington, D. C.

DEAR MR. MURRAY: Our school is greatly concerned over proposed legislation making surplus war property, which may be suitable for educational use, available to schools and colleges when it is no longer needed for its intended purpose. There are quantities of defense materials that could be of great value to schools in the teaching program and also a saving to the taxpayers of the district. In the recent expansion of school grounds and buildings the item of maintenance for both has become a considerable factor and will increase as the years go on. To be able to secure equipment such as small trucks, tractors, to mention only one possibility, would be well worth considering. Schools will not be in position to spend the money for equipment, so to furnish them with equipment would not be removing potential buyers from the equipment market. On the other hand, being able to secure equipment would in a sense provide the equivalent of financial assistance over a period of years without releasing funds for the teaching program.

I believe altogether too little thought and attention has been given to the large sums invested in our school plants and equipment. We urge your support of such legislation.

Very truly yours,

CHARLES J. HOOKER, *Supervising Principal.*

MONTANA CONGRESS OF PARENTS AND TEACHERS,
Helena, August 6, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: The Montana Congress of Parents and Teachers are desirous of expressing themselves as in favor of the distribution of war surpluses to the schools. we are hopeful that this equipment will be made available to replace the equipment that has not been replaced due to the war.

We understand the matter is being seriously considered in Congress and feel we are interested in the welfare of the schools. No doubt, the boys and girls are to want special training in the future as the war has broadened the field so greatly. To be able to secure these materials will benefit them greatly.

Yours very truly,

MRS. L. KELSEY SMITH,
Executive Secretary.

BERRIEN COUNTY SCHOOLS,
St. Joseph, Mich., August 7, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Committee on Military Affairs, Washington, D. C.

DEAR SENATOR: I should like to ask that you support legislation which will make surplus war property suitable for educational use available to schools and colleges. There evidently is a large amount of material used by the war agencies that could well be used in schools after the war. I shall be particularly interested in visual-teaching education and radio equipment.

Sincerely yours,

EDWARD L. MURDOCK,
County Commissioner of Schools.

MERCER COUNTY SCHOOLS,
Princeton, W. Va., August 8, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: The writer is the chairman of a committee of school superintendents in West Virginia which is interested in the allotment to schools and colleges of surplus war material which can be used in education. We wish to make a strong plea that this material be allotted to schools without cost, since it has already been paid for by public funds. We hope that you will be able to lend your support to legislation that will make this transfer possible.

The schools of the Nation have been handicapped in not being able to purchase a great deal of the equipment needed, to say nothing of the tremendous handicap in the matter of manpower, and favorable action on such legislation would place the schools in a position to do a better job in post-war reconstruction.

Yours very truly,

C. H. ARCHER, *Superintendent.*

DEPARTMENT OF EDUCATION,
Baltimore, Md., August 8, 1944.

Senator JAMES E. MURRAY,
Subcommittee of Committee on Military Affairs,
Washington, D. C.

MY DEAR SENATOR MURRAY: The Federal Government will have billions of dollars' worth of surplus war property for distribution in the near future, some of which is already becoming available. Much of the surplus property is admirably suited for use by schools. School administrators all over the country, therefore, are much interested in any proposals for the distribution of this surplus.

The American Association of School Administrators, composed of approximately 4,000 school superintendents throughout the United States, has recently appointed a committee on surplus wartime materials, of which committee the undersigned is chairman. Since proposed legislation concerning surplus war properties is now before Congress, I wish to bring to your attention the following:

1. The school systems of the country have not been able to secure adequate funds to provide for the maintenance and replacement of property and equipment, or to secure the necessary materials for the proper enrichment and expansion of the educational program.

2. Much of the equipment of the schools has depreciated greatly during the past 4 years in training millions of men and women for the war production industries.

3. If the Federal Government will distribute to tax-supported school systems suitable surplus war material, it would remove from the market part of this huge amount of equipment and supplies, instead of having this material disrupt industry by being sold on the open market at depressed prices.

4. One condition which probably should be attached to the distribution of such material to tax-supported school systems is that the customary expenditures made by these systems for equipment and supplies should not be reduced. The proposed plan, therefore, would not interfere with those industries manufacturing school supplies and equipment.

5. This proposal would be eminently fair to the taxpayer, since it would give him the full benefit of material distributed to tax-supported schools. If the material were to be sold on the open market at a fraction of its value, the taxpayer would get the benefit of only the limited amount which his schools are able to buy.

The school superintendents of the country are very anxious that you and the other members of your committee give favorable consideration to the above-mentioned matters, as the successful work and welfare of our schools will be greatly advanced if favorable action is taken.

If there is any other information that you desire to have, please let me know.

Very truly yours,

DAVID E. WEGLEIN,
Chairman, Committee on Surplus Wartime Materials,
American Association of School Administrators.

STOCK PILING—VITAL TO NATIONAL SECURITY

(By Julian D. Conover, Secretary, American Mining Congress, Washington, D. C.)

Address to Annual Meeting, American Zinc Institute, St. Louis, Mo., April 17, 1944

For those engaged in the production of strategic and critical metals and minerals—including the "big three," zinc, lead, and copper—there is probably no subject of greater concern for the future than our national policy with regard to stock-piling. To us this is in many ways our No. 1 problem for the post-war period. Upon its wise handling depend, we believe, not merely the future of great mining and smelting industries and the prosperity of important sections of our country, but the very safety of our Nation in the years to come—our ability to meet, if the need should again arise, another challenge to our independence and our way of life. It is a subject in which all of us are deeply and vitally interested.

The importance of this subject far transcends the interests of our own mining and metallurgical industries and those who look to them for a livelihood. It is a matter fundamental to the future strength and security of the United States. The First World War and to a still greater degree the present conflict have shown the absolutely indispensable character of these metals to modern warfare. Without them a nation is powerless to defend itself. To preserve our national existence in any future emergency we must have these basic materials in adequate quantities quickly available if and when needed for production of munitions and for carrying on a war economy.

The First World War taught us a lesson as to the difficulties, delays, and dangers of trying to accumulate stock piles of deficient minerals while actually engaged in war; but the lesson was soon forgotten. In December 1919, in a report to the President, Bernard Baruch urged that steps be taken at once to insure adequate supplies of raw materials for future emergencies. Farsighted men, both in the mining industry and in the ranks of Congress and of Government departments, vigorously advocated such a program. But Congress and the people generally were apathetic, they didn't want to think about the possibility of another war, and for 20 years virtually nothing was done. True, the Army and Navy Munitions Board appointed able committees to study the problems of minerals supply, but as War Production Board Vice Chairman Arthur H. Bunker recently said, "Stock piles of strategic and critical materials were discussed in the armchair, but not acquired; they were carefully listed and classified, but they were not purchased."

In 1938, as the war clouds in Europe became more ominous, Senator (then Congressman) Scrugham, of Nevada, succeeded in securing an appropriation for the Navy of 3½ million dollars (followed by $500,000 in 1939 and 1940) for purchases of strategic materials; and in 1939 a bill by Senator Thomas, of Utah (Public Law 117, 76th Cong.), was passed, authorizing the appropriation of $100,000,000 for such purchases—of which, however, only $70,000,000 was actually appropriated and less than this amount expended. Purchases under this program brought to us valuable but inadequate quantities of tin, tungsten, and certain other needed materials.

However, when the National Defense Advisory Committee set up shop in 1940, it found that in the main, except for industry-held stocks, the cupboard was bare. Not only were we lacking many minerals that had not normally been produced in this country; but even in the case of copper, lead, zinc, and others for which our own mines and smelters had been able to supply peacetime requirements, we found the available supply far below the rapidly pyramiding requirements of a global war.

COSTLY EXPERIENCE IN PRESENT WAR

We all know the strenuous and costly measures that were subsequently required to make up for these deficiencies. Aided by premium price plans, Government financing, tax relief provisions, etc., and above all by the energy, resourcefulness, and patriotic sacrifices of mining and smelting men, the mining industry showed its amazing vitality. It emerged from nearly a decade of depression, of discouragement and destructive governmental policies, to set new all-time records for production. Zince output from domestic mines achieved a 50 percent increase over 1938, while smelter production was doubled. At the urge of the Government, new or increased production was undertaken from a vast number of properties, many of them small or marginal, but all contributing to the war needs. Additions to mill and smelter capacity werd provided, new plants built, and treatment processes for low-grade and refractory ores were developed under the stress of war necessity. Production had to be expended at all possible speed and even beyond actual consuming requirements, in order to provide war factories with necessary working stocks and to fill the whole greatly expanded "pipe line" of metallic products in process of fabrication.

At the same time, foreign sources were thoroughly combed, immense sums were spent in developing production, and valuable shipping was devoted to bringing war-needed minerals to our shores. Quartz crystals were flown from Brazil, tantalum from Africa, and tugnsten was even flown over the Himalayan Mountains from China to the Indian Ocean.

Necessarily this program involved enormous cost—not only in money (which was, rightfully, a subordinate consideration) but in precious manpower, materials and time. Projects were started and then deferred or abandoned on the basis that manpower or materials were not available or could be more effectively used elsewhere. After the "pipe lines" had been filled and current inventory margins built up, cut-backs in some raw materials began to make their appearance. The program was inherently and inevitably wasteful in the extreme—far exceeding the cost that an orderly stock-piling program would have involved.

The highest credit is due to the industry leaders in Washington who have wrestled with this tremendous problem—who are themselves the first to admit that mistakes have been made, but who in the face of all these obstacles have seen to it that our fighting forces are equipped to meet the aggressors on their own territory and to blast the way to Berlin and Tokyo. Through their efforts we have overcome almost insuperable handicaps and have made good our shortages of supply; but the situation has been far too close for comfort, and we have come perilously close to paying a terrible penalty for our lack of foresight.

This must never happen again. We have paid dearly to learn the same lesson once more. This time let us take it to heart, let us make certain that we are not again caught—in a war which may come on us much more suddenly than in the past—without adequate supplies of those basic materials from which the weapons to defend ourselves must be forged.

STOCK PILES AS INSURANCE FOR THE FUTURE

The surest way to accomplish this is to provide a national stock pile of metals and minerals as a permanent military reserve, in suitable forms for long-time storage and prompt use when needed. This would naturally include not only those metals which, because of limited or no production in this country, were listed as strategic or critical in pre-war days, but also copper, lead, zinc, and other metals which have been added to the strategic or critical list because our domestic productive capacity has been found unable to keep pace with the tremendously increased demands of modern warfare.

A permanent stock pile of these indestructible metals should be regarded as insurance for the future safety of our country. It ranks with our air force, our Navy, and our Army in serving notice on aggressor nations that our rights must be respected. It may well prolong the peace or shorten the duration of another war. Its cost is infinitesimal against the blood of another generation lost in a still more deadly war. In the happy event that we are never called upon to use it, it would be the best investment ever made by the American people. A wise man buying insurance on his property is not aggrieved because he fails to suffer a disastrous fire.

I have been speaking of stock piling from the standpoint of national security because, after all, that is the big issue in which every citizen of this country is vitally affected and in which every member of Congress should take an intelligent interest. Presented from this standpoint, the arguments for stock piling should carry convincing weight in the framing of national policy for the future. As American citizens we in the mining and metal industries have exactly the same interest in the matter as 130,000,000 other, whose primary desire is to preserve our country and our way of life in the years to come.

DISRUPTIVE EFFECT OF DUMPING

But national interest is also involved in another phase of the problem in which we are particularly concerned—the avoidance of that utter demoralization which struck our domestic metals industries through the dumping of Government-held stocks following the last war. We are all familiar with the chaotic market conditions, the shutting down of mines and smelters, and the unemployment and acute distress which resulted from that short-sighted policy. The metal-mining industry is the principal industrial activity in many of our Western States as well as in other sections of the country, and hundreds of communities are dependent upon it for their sole support. Liquidation of the huge metal stocks in our possession after the war would deny employment for a long period not only to many thousands now in the industry, but to those returning from the armed forces who are anxious to resume their normal occupations. The whole economy of important sections of our population would be disrupted, and substantial markets for our own agricultural and manufactured goods destroyed, while the American taxpayer would shoulder a relief load that might well exceed the cost of stockpiling these metals. Not only this, but the enforced shut-down of mines, where maintenance costs are excessive, would mean permanent loss of valuable ore reserves through flooding and caving of workings. The smaller mine owners, unable to weather the storm, would be especially hard hit.

Considerations not only of justice to an industry which has done a good war job, but of the national interest in creating a balanced prosperity and in preserving important mineral resources, demand the "freezing" of excess minera and metal stocks as a reserve for the future.

METAL STOCKS ARE NOT SURPLUS PROPERTY

In Congress at the present time there are over 50 bills having to do in one way or another with the disposal of surplus Government property during and after the war. Most prominent of these is the George-Murray over-all demobilization bill, S. 1730—Title II of which provides basic policies to guide a Director of Demobilization in handling and disposing of Government plants, equipment and materials of all kinds. Other bills, many of a specialized character, are scattered through more than a dozen congressional committees.

It is obvious that at the war's end our Government will own billions of dollars worth of property acquired for war purposes and not needed in peacetime. This will range from huge plants with their equipment down to socks and shoelaces.

Most of the proposals for handling these surpluses adopt the general principle of getting rid of them as rapidly as possible with the least disturbance to normal production and employment.

In looking at this problem, is it not sound policy to hold that our accumulations of zinc, lead, copper, tungsten, quicksilver, and other minerals are not surplus and should not be so considered? These metals are part of the irreplaceable natural resources of our country, and for every pound we have taken from the ground we have depleted our mineral wealth by just that much. The rate of depletion during this war has far exceeded that of any previous period. We do not share the alarmist view now receiving circulation in certain quarters, that we are on the verge of becoming a "have-not" nation—for, given a reasonable economic opportunity, ore bodies, mining districts, and the mining industry as a whole have a habit of confounding the prophets of disaster—but it is simple arithmetic that the millions of tons of metals extracted from our mines in these war years have, to that extent, measurably reduced the aggregate amounts that may ultimately be recovered. No less an authority than Cornelius F. Kelley, chairman of the Anaconda Copper Mining Co., recently warned that "the demands of war have caused a heavy drain upon our national resources, particularly upon our nonferrous metal mines. * * * Our deposits of copper, lead, and zinc have been and are being impaired to the point where the national security demands that they be carefully husbanded."

With this in mind, is it not ordinary prudence to conserve the precious stores of these strategic metals accumulated in these war years—to hold these stocks inviolate against a day of need rather than allow them to be now dissipated? These stocks are not surplus property to be disposed of, but part of the permanent wealth of our country—of priceless value if their existence in readily usable form will help to avert another war.

IMMEDIATE ACCESS TO RAW MATERIALS ESSENTIAL

As mining men we know that our country's mineral potentialities, looked at in three dimensions, are still vast, that there must be many blind ore bodies awaiting discovery, that continued improvements in technology will make available hitherto noncommercial sources of these strategic and critical metals. But this does not answer the problem. Even though our ultimate reserves be limitless, they could not be made available at the time and in the quantities required by a military emergency. The old adage that mine production cannot be turned on like a spigot is all too true.

In the last two wars we have been granted time to gird our strength, both before and after we were plunged into the conflict. But Hitler's blitzkrieg almost downed our allies, to leave us isolated and in no condition to defend ourselves. The broad oceans which have helped protect us are narrowing, and the next Pearl Harbor might be at San Francisco or Detroit. We cannot count on again having time to start at the bottom to stimulate production of the copper, zinc, lead, and other metals so vital to our defense. If, in spite of all efforts to maintain peace, war be again thrust upon us, it may be too late to make our might effective unless we have these materials ready for immediate use.

A GOLDEN OPPORTUNITY TO CREATE PERMANENT STOCK PILES

For some of these metals the stocks available after the present war will be extremely large. With the heavy fighting still ahead, and no certainty as to when the enemy will throw in the sponge, our leaders, while making certain cut-backs, are still calling for high rates of production. Only minor relaxations in civilian consumption are being permitted. It is obvious that the war-end stocks will be immensely greater than those normal to a peacetime economy. In addition to Government-held stocks, there will be tremendous quantities of metal in the form of ore, concentrates, and process materials at smelters and refineries, and huge stocks of finished metal, scrap, and partially fabricated materials at manufacturers' plants. Much of this supply must be disgorged from the swollen "pipe line" to bring it down to a normal working basis.

In addition, hundreds of thousands of tons of battle-field scrap—shell cases, parts from discarded military equipment, etc.—will be returned from all parts of the world. Unexpired Government commitments for mineral purchases and

reverse lend-lease will swell the total. Our own mines, both large and small, will need a reasonable period in which to effect an orderly adjustment of production to market demands, and the excess produced in the transition period will likewise be available for stock piling.

What better opportunity could possibly be afforded to initiate a realistic stock-pile program? Never before have we had such sizable accumulations of strategic materials so readily available, constituting for some of the metals a substantial portion of the stock-pile goal which might reasonably be set. In large part, the Government will already own these materials, and no further expense will be required, except for their conversion to the most suitable forms for stock piling and arrangements for their permanent storage. We shall ignore the bitter and costly lessons of experience if we fail to keep this nest egg in building for our future security and strength.

FURTHER PURCHASES

Naturally the stock piles thus started will vary in size and relative adequacy to the needs of a future emergency. A goal which has been discussed is a supply sufficient for the needs of a 3-year total war, and, without discussing the complex factors involved in translating this to actual tonnages, such a goal has met with favor in some quarters. The attainment of this objective, or any other objective which adequately recognizes all of the factors involved, will no doubt require additional purchases of most of the minerals. Wisely conducted over a period of time, such purchases can do much to cushion periods of low activity for mines and smelters, while securing the needed supplies at reasonable cost. Similarly, the processing of concentrates and intermediate products and of secondary materials to stock-pile form can be scheduled when excess capacity is available thus helping to maintain employment.

LEGISLATIVE PROPOSAL

While the basic necessity for stock piling is widely acknowledged, differences of opinion arise as to the most suitable form of legislation, as to the sources from which stock-pile metals should be acquired, and as to administrative details of the program.

One of the most carefully worked out suggestions for stock-pile legislation, covering the handling of both primary and secondary Government-owned material; outstanding Government commitments; material in the hands of industry; excess production in the post-war transition period; partially fabricated and finished goods; and military and battle-field scrap, was presented by the United States Copper Association at hearings before a Senate committee last summer.

Then there is the amended bill of Senator Scrugham, S. 1582, sponsored also by Senators Hayden, of Arizona, Murray of Montana, Johnson of Colorado, and Maybank of South Carolina, which gives particular consideration to small or marginal domestic producers, by continuing their wartime prices for 1 year after hostilities cease. This feature, together with a bill by Representative Harless of Arizona, H. R. 3991, is designed to "bail out" producers who have undertaken wartime production upon the direct or implied urging of the Government, and as a substitute for the "war minerals relief" legislation enacted following the last war. That legislation led to extravagant and long-drawn-out claims for compensation, some of which are still in dispute; it was regarded as a headache which has lasted for 25 years, and only this month Congress found it necessary to make still another appropriation in an endeavor to clean up unsettled claims.

Certainly mineral producers deserve as much consideration from the Government as manufacturers are receiving in connection with contract terminations; and adequate provisions to give them just and reasonably liberal treatment, and to avoid extended controversies long after the facts have become obscured, merit careful consideration. The amounts involved under some such procedure are relatively small, but provide worth while employment, and would purchase something of permanent value, even though at wartime prices. In extracting such minerals and stock-piling them we would not be using them up, but rather placing them in a position of immediate availability for future use.

The Scrugham bill further provides a 25 percent premium to domestic producers over the duty-paid import price, if needed to fill stock-pile requirements, before purchases from outside this country may be made. Government departments concerned with stock-piling object to this requirement, feeling that it would hamper acquisition of materials not produced in this country; and views within the industry are divided, many feeling that domestic protection should be provided instead through proper handling of the machinery of tariffs and import quotas. Preference to domestic sources in stock-pile purchases would be accorded by these Government departments only to the extent of the "Buy America" Act of 1933, as is specified in Public Law 117, the 1939 purchasing act. Scrap and secondary materials (nonferrous) are not provided for in the Scrugham bill but are covered in an amendment recently drafted by the author.

Meanwhile, several of the Government departments, which are understood to include War, Navy, State, Interior, and the Foreign Economic Administration, have been working on stock-pile legislation, but their proposed bills have not been made public. Some of these proposals approach the matter through amendments to the 1939 act, including provisions for the "freezing" and consolidation of Government-held stocks at war's end. (Incidentally, while emphasis has been placed on minerals and metals under this act, its language is broad and covers also other strategic materials such as rubber, quinine, manila fiber, etc., with arrangements for "rotation" of such stocks to prevent deterioration.) It is understood that differences of viewpoint have existed between the departments over certain features, but that the various drafts have been submitted to the Office of War Mobilization for review.

Consideration of strategic material stock piling may also arise in connection with measures for disposing of surplus property. At present, right-of-way is being given to contract termination legislation, and there is doubt whether Congress will consider the surplus disposal problem prior to a summer recess. As we have shown, metal and mineral stocks should be excluded from the category of surplus and conserved rather than liquidated. Any general surplus disposal measure should recognize this, and it would be appropriate to include suitable stock-piling provisions in such a bill.

GENERAL ASPECTS OF STOCK PILING

It is recognized that stock piling has inherent elements of danger to the metal industries, through the mere existence of large stocks that could be dumped on the market. Many industry leaders view this possibility with apprehension, yet have felt it must be faced in the broad interest of the country's welfare. As a corollary, it must be insisted that the full amount of stocks needed for national defense be held inviolate against a future war emergency to be declared by or pursuant to an act of Congress. No executive agency should have the authority to dispose of these stocks, and it should be the fixed policy of the Congress itself not to release them except in a war emergency. In the light of our experience in this war it is hard to conceive that the amounts accumulated could possibly be too large for the purpose of our protection. A problem of disposal might arise, however, as a result of the obsolescence for military use of certain minerals. In such case, disposal should be permitted, but should be safeguarded with adequate provisions against dumping—against sale in quantities or at prices that would disturb the domestic economy. It goes without saying that a stock-pile program must not be made, in any manner, a means of continuing bureaucratic control over the mining and allied industries.

Time does not permit us to go into all the ramifications of this subject. In considering our long-range mineral supply, some have urged the importation of most of our requirements from foreign sources, holding our own reserves in the ground for an emergency. Although the need for importing certain minerals is recognized, such suggestions, however well intentioned, are likely to overlook the fact that most mines are not conserved by shutting them down, by permitting them to cave and fill with water, by scattering their organizations and uprooting whole communities. Additions to our mineral wealth are created not by idleness but by continuous exploration and development work carried on by mining companies, large and small, and by continued application of their technical talent to lower costs, improved recoveries and handling of lower grade materials, in an atmosphere of free enterprise and adequate reward for venture capital. A major need of the mining industry, and of the important regions which it supports, is removal of those hampering restrictions and burdens which curtailed development during the past decade, and renewed encouragement to the pioneer spirit which enabled our mines to make their magnificent contribution to the building of our country and to the fighting of its wars.

LEGISLATION NEEDED NOW

The national need for stock-pile legislation, to protect the United States in the future, is recognized, as I have already indicated, by the Army and Navy, by other major Government departments and by many Members of the Senate and House of Representatives. Thus far, however, definite action on a bill has bogged down, largely due to the differences over administrative and other features to which I have referred. Congress will recess in June, possibly until after the election, and will then have only a short remaining period until the Seventy-ninth Congress convenes, when any legislation must be started anew.

Action to impound the strategic metal and mineral stocks that we shall have available, to make it clear that these are not surplus but must be retained, and to provide for orderly creation of a permanent defense reserve of these metals, should be agreed upon and pushed through now, while the Congress and the people as a whole still vividly appreciate the necessity. It is to be hoped that not only the imperative needs of the future but the urgency of prompt action will be recognized, and a bill speedily enacted which will establish a policy covering these vital sinews of national defense that will not find another generation blaming us for having provided too little, too late.

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination," and in Parts 1 to 12 entitled "Mobilization and Demobilization Problems")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1478, S. 1609, S. 1680, S. 1775, S. 1794, S. 1803, S. 1815, S. 2045, S. 2065

PART 13

UTILIZATION AND DISPOSITION OF SURPLUS WAR PROPERTY

APPENDIX: LETTERS FROM GOVERNMENT AGENCIES

Printed for the use of the Committee on Military Affairs

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APPENDIX

NAVY DEPARTMENT,
Washington, August 14, 1944.

Hon. J. E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Military Affairs Committee,
United States Senate

MY DEAR MR. CHAIRMAN: The proposed substitute introduced by Senator Johnson to the bill S. 2045 to provide for the disposal of surplus Government property and plants, and the draft bill included in the July 21, 1944, report of the Surplus Property Subcommittee of the Special Committee on Small Business, were referred by your subcommittee to the Navy Department with a request for views thereon.

The common purpose of the proposed substitute bill (herein referred to as S. 2045) and the draft bill, is to provide for the disposal of Government war surpluses. The two proposals, however, differ in many basic matters, as will be indicated later in this report.

This Department strongly opposes the enactment of S. 2045 as a measure which is unsound in principle and which would not permit the effective and orderly disposal of Government war surpluses. The principal objection is to section 11 (a) which, with a few limited exceptions, prohibits the disposal of durable property until 5 years after the termination of the present war. Every consideration of sound public policy points in the other direction. War surpluses are great national assets. Except for items which should be held as a reserve against future emergencies, surpluses should be disposed of in such a way as to meet the needs of the public and to secure maximum realization for the Treasury. Of course, there should be no "dumping" of surpluses, and disposal should be conducted with care to avoid harmful effects upon American industry and employment. It is the view of this Department that our economy will be able to absorb most of the available surpluses without substantial injury to labor or industry, and with considerable benefit to the public and the fiscal position of the Government.

S. 2045 would even prevent the sales to the public of badly needed surplus goods during the war and in the period immediately following in which the shortage of such goods would create consumer hardships and increase the risk of inflation. Whether any industry would benefit from a prohibition of surplus property disposal for 5 years, or any period, is extremely doubtful. The more widely held view is that maintenance of surpluses in undiminished amounts for an extended period would constitute more of a threat to business prosperity

than an orderly program for feeding the surpluses into our economy at such a rate as will permit them to be absorbed without harm.

As an exception to the prohibition of disposal of durable property, section 9 permits the disposal of surplus "common supplies" (defined as small tools, hardware, and nonassembled articles useful in the manufacture of more than one type of product) until 6 months after the end of the war, "through the regular trade channels at not less than 75 percent of the replacement cost." The requirement that sales must be through regular trade channels would make it possible for existing trade groups to monopolize distribution of such surpluses, and prevent the Government from receiving fair prices for its surpluses. While distribution should normally be through established channels, a blanket requirement to this effect would be against the interests of the Government. As to the requirement that the price shall be not less than 75 percent of costs, this figure seems to be entirely arbitrary and might nullify the authority to dispose of such supplies with respect to many of the items involved.

Warehousing and maintenance of war surplus goods even under the best of conditions of rapid disposal consistent with orderly marketing may be expected to create problems and entail considerable expense. A requirement that durable goods shall be retained over a 5-year period would manifestly increase greatly both the problems and the expense to the Government of warehousing and maintaining these goods. In addition, most durable goods may be expected to decline in value and the value of many articles, through obsolescence, reduced to their value as scrap.

There are a number of other seriously objectionable features in S. 2045, which will, however, be mentioned only briefly.

(*a*) Section 3 (c) fails to grant authority for the transfer of surplus property from military agencies to civilian agencies, but only permits transfers in the reverse direction. During the period of large property disposals, most of the flow would, of course, be from the military agencies to the civilian. No reason is apparent why the civilian agencies of the Government should be barred from the use of the surpluses of the military agencies.

(*b*) Section 11 (e) requires that all property classed as obsolete or scrap should be permanently stock-piled for national defense purposes. Stock piles should be accumulated on the basis of a careful appraisal of quantitative and qualitative needs, and after a comprehensive study of the best methods of acquiring the required quantities, rather than through any such blanket procedure as that specified in the draft.

(*c*) Section 11 (f) prohibits war contractors from disposing of their own termination inventory, other than through manufacture. This would prevent the normal distribution and utilization of materials by industry, through normal commercial channels. Such a requirement might be a serious drag on reconversion. Aside from the question of the wisdom of this provision, its legality seems doubtful.

(*d*) Section 15 prohibits any Government agency to produce, in competition with private industry, any articles for civilian or military use "in facilities acquired by the Defense Plant Corporation." Such a requirement would apparently make it impossible for the Government to produce vital war supplies in plants financed by the Defense Plant Corporation.

The draft bill which is printed in the July 21 report of the Surplus War Property Subcommittee is constructed on a much more sound basis than S. 2045. It appears to be substantially similar in substance to the draft bill submitted to your subcommittee by W. L. Clayton, Surplus War Property Administrator, which is printed in the report of the War Contracts Subcommittee dated June 5, 1944. As you know, the Navy Department participated in the preparation of the Clayton draft, and it reflects the viewpoint of this Department as to the requirements for property disposal legislation. In most of the respects in which it departs in substance from the Clayton draft, the subject draft is objectionable. The following particular comments are offered with the reservation that there has not been an adequate opportunity to study this draft, and that it may be necessary to comment further at a later date.

The two most serious differences between the subject draft bill and the Clayton draft are the omissions from the former of an affirmative grant of disposal powers to the disposal agencies (as provided in sec. 11 (a) of the Clayton draft), and failure to authorize the disposal of property by the owning agencies (as provided in sec. 8 of the Clayton draft). The first omission is, apparently, a question of draftsmanship. As to the second, there is no criticism of the policy of setting up specialized disposal agencies. The disposal through them of various classes of property declared surplus by the owning agencies (as provided in both drafts) is the policy the Navy Department has long advocated. However, there are limited classes of property which can be disposed of with greatest economy and efficiency by the owning agency, and in any property bill there should be provision for such direct disposal, subject to the control of the Surplus War Property Administrator.

A number of other comments on this draft bill follow:

(*a*) Section 1 of the act fails to state as one of its purposes the use of surplus property for the purpose of national defense. Since most surpluses will be disposed of after the war, the reference to the use of surpluses in war production is not adequate.

(*b*) It is not believed wise to require the Administrator to utilize the services of the Bureau of the Budget or of any other specified agency, as provided in section 6 of the subject draft. The Administrator should be left free to accomplish his task through such agencies as he may designate. Some of the problems which the Administrator is required to turn over to the Bureau of the Budget, for example, could perhaps best be performed as staff functions within his own organization.

(*c*) Section 8, apparently by inadvertence, fails to authorize the acquisition of surplus property by the War and Navy Departments and Maritime Commission after the war, although such acquisition by all other Federal agencies is authorized.

(*d*) Section 8 (a) authorizes the acquisition and disposal of surpluses by the Smaller War Plants Corporation. This is inconsistent with section 3 (c) which provides that disposal of any particular type of property shall be centralized in a single disposal agency. It is unsound to have two agencies competing with each other in the disposal of the same type of property, perhaps under different and inconsistent terms and conditions.

(*e*) Section 8 (*c*) grants a discount of 50 percent to States, political subdivisions, and tax-supported institutions. This Department does not believe such discounts to be wise. Many public agencies have no need for such a subsidy. Moreover, there are many State and municipal functions which are self-liquidating, and no reason appears why the Federal Government should not receive full compensation in such cases.

(*f*) The requirement of section 10 for giving prior notice of sale to the Smaller War Plants Corporation seems to be so broad as to constitute a substantial impediment to disposals.

(*g*) Section 11 provides that no option on Government-owned property shall be honored if the option "is contrary to public policy." This is such a vague term that the provision would cast a cloud upon the right of many industries to exercise options entered into in good faith, and for good consideration. The Navy Department does not believe the Congress should thus cast doubt upon the integrity of obligations of the Federal Government validly entered into.

(*h*) Section 12 reserves from sale large Government-owned plants of many types. The necessity for keeping idle productive capacity in so many fields is not apparent. The authority to enter into short-term leases is not an adequate alternative since without greater assurance of tenure there will be little interest in making the commitments necessary for operation.

The Navy Department has been advised by the Bureau of the Budget that there would be no objection to the submission of the proposed report to the committee, with the understanding that no commitment would thereby be made at this time as to the relationship to the program of the president of the various provisions of the bill S. 2045 and the other bills in the surplus war-property field that are now before the Congress.

Sincerely yours,

RALPH A. BARD,
Acting Secretary of the Navy.

NAVY DEPARTMENT,
Washington, August 10, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman of the Committee on Military Affairs,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: The bill (S. 1815) to provide for distribution of surplus war materials through domestic lend-lease to States and their political subdivisions and instrumentalities thereof was referred by your committee to the Navy Department with request for expression of the views of the Department regarding the proposed legislation.

The purpose of the bill, S. 1815, is to set up a Surplus Property Administration headed by a Surplus Property Administrator appointed by the President. The existence of the Administration would end 2 years after the passage of the act unless extended by the Congress. Each of the agencies of the Government would be required to report to the Administrator all surplus war materials, which are broadly defined to include all personal property acquired, held, or used for purposes directly or indirectly related to the war effort.

Other Federal agencies would have a preference on materials so declared as surplus for their authorized activities. The Administrator would determine which of the remaining materials could be utilized by any public agency, which is defined as a State or any subdivision or instrumentality thereof, and would provide for "the equitable distribution * * * through domestic lend-lease by grant or loan to public agencies, whenever in his opinion such war materials can be utilized by such public agencies for purposes of soil conservation or other form of land improvement; flood control; construction, improvement, or maintenance of roads, highways, or streets; public health; or other public purpose useful and beneficial to the people of the United States."

The bill would not constitute a practical and effective basis for surplus property disposal. It is limited to the disposal of personal property, although sound policy requires that real and personal property be disposed of in an integrated disposal program. The bill is limited to the disposal of surplus war materials useful to State and municipal agencies for public purposes; no provision whatever is made for the disposal of other war materials. With respect to the materials to be disposed of to such State and municipal agencies, disposal must be on a "grant or loan basis," irrespective of need or the financial condition of the agencies concerned. At the end of the war surplus war materials will be a tremendous national asset, and should certainly be disposed of on a more businesslike basis.

Because the bill S. 1815 fails to deal comprehensively with the problems of surplus property disposal, and contains provisions which are unworkable, the Navy Department recommends against its enactment.

The Navy Department has been advised by the Bureau of the Budget that there would be no objection to the submission of this recommendation.

Sincerely yours,

RALPH A. BARD,
Acting Secretary of the Navy.

TREASURY DEPARTMENT,
Washington, August 14, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs,
United States Senate.

DEAR MR. CHAIRMAN: Your letter of August 4, 1944, addressed to the Secretary of the Treasury requested a report as to (1) the substitute amendment to S. 2045, proposed by Senator Johnson, to provide for the disposal of surplus Government property and plants, and (2) the draft of bill included in the July 21, 1944, preliminary report of the Surplus War Subcommittee of the Senate Special Committee on Small Business.

Representatives of the Treasury Department collaborated with Mr. W. L. Clayton, Surplus War Property Administrator, and representatives of all other executive agencies concerned with the disposition of surplus war property, in the drafting of the proposed legislation

which was recently submitted to your subcommittee and to other committees of the Congress by Mr. Clayton. In that connection, reference is made particularly to the testimony at the joint hearings before the Special Committees on Post-war Economic Policy and Planning held June 16 and June 20, 1944, at which the Surplus War Property Administrator and representatives of numerous other executive agencies, including the Treasury Department, appeared in favor of the legislation recommended by Mr. Clayton. The Treasury Department reiterates its recommendation of the legislation proposed by Mr. Clayton.

The Johnson substitute bill (S. 2045) departs radically from the legislation recommended by the executive agencies concerned with the problem of surplus property disposition. Its principal feature is to require the impounding for 5 years after the termination of the war of surplus durable property and the maintenance in a permanent stock pile of all such property classified as obsolete or scrap. The release of such property to the market during the immediate post-war period, when real scarcities may exist, would tend to relieve the upward pressure on prices. Under the provisions of the Johnson bill these enormous accumulations of property would continue to overhang the market for a 5-year period.

The draft bill included in the July 21, 1944, preliminary report of the Surplus War Property Subcommittee of the Senate Special Committee on Small Business contains many of the provisions recommended by the Surplus War Property Administrator but contains other provisions found objectionable by him which he has already discussed at length in his testimony on June 16 at a joint hearing before the Special Committees on Post-war Economic Policy and Planning and on August 8, 1944, before the House Committee on Expenditures in the Executive Departments. Reference is made to that testimony in support of the position of this Department as to the desirability of legislation in the form of the bill recommended by Mr. Clayton.

In view of the urgency of your request, this report has not been cleared with the Bureau of the Budget.

Yours very truly,

D. W. BELL,
Acting Secretary of the Treasury.

OFFICE OF PRICE ADMINISTRATION,
Washington, D. C., August 14, 1944.

The Honorable JAMES E. MURRAY,
United States Senate.

DEAR SENATOR MURRAY: I am pleased to comment at your request on the substitute version of S. 2045 and the draft bill included in the July 21 report of the Surplus War Property Subcommittee of the Special Committee on Small Business, both bills being related to the disposition of surplus property. I shall confine my comments to the aspects of the two bills which have a bearing upon the price-control program of the Office of Price Administration.

Two broad phases of the surplus-disposal program might be distinguished. Prior to and for a time after the end of the war in one theater of operations (or in both theaters if the end should come almost simultaneously) there are likely to be strong inflationary forces

at work despite the possibility of some unemployment. In some parts of the economy this pressure may continue to be severe for some time after the termination of hostilities on all fronts. Businesses in the process of reconversion will make enormous demands for materials and equipment necessary for the resumption of normal civilian production; distributors will attempt to stock up on lines of civilian goods which have been in short supply or unavailable during the war; and consumers generally will have available liquid savings in enormous volume to buy commodities previously not available. This period, of unknown duration, will be one in which there may be a serious inflationary threat. After the last war, you will recall, the peak of the inflation was not reached until May of 1920. It seems clear, therefore, that during the first phase of surplus disposal, there will be a serious inflationary threat, which can be dampened down by a wise policy of selling surplus goods.

The second phase, which will follow reconversion and considerable demobilization, is likely to be one in which surplus disposal will be accompanied by little inflationary danger and possibly by some danger of deflation.

Taking these considerations into account, I should like to reiterate the recommendation contained in my letter of May 16, 1944, that the Congress explicitly recognize that maximum prices established by the Office of Price Administration should control the sale of surplus commodities where applicable, as is now the case. The substitute version of S. 2045 specifically provides in section 23 (b) that the provisions of the Emergency Price Control Act of 1942, as amended, and of the Stabilization Act of 1942, as amended, shall remain unaffected and unimpaired. I recommend that similar language be incorporated in the draft bill of the Surplus War Property Subcommittee.

Both bills provide for the establishment of a surplus property board to advise the Surplus War Property Administrator. I am in agreement with Mr. Clayton's recent recommendation in the hearings on the Colmer bill that the Office of Price Administration be a member of this advisory board. Certainly, the surplus disposal and price-stabilization programs should not work at cross purposes, but should be mutually complementary. Moreover, this Office has accumulated a very considerable amount of experience over the past 2½ years on pricing methods, trade practices, and methods of distribution which would be most helpful in any consideration of disposal policies. In addition, our advisory committees, numbering approximately 500, will from time to time call to our attention the impact upon their industries and trades of surplus disposal.

With respect to S. 2045, I am concerned about the freezing of existing surpluses of certain durable goods for a period of time (sec. 11). From the point of view of reducing inflationary pressures, the principle involved can hardly be recommended. In the first phase of surplus disposal, as I have stated above, inflationary pressures on many classes of durable goods may be great. In addition, reemployment in critical stages of production may be dependent upon the availability of certain durable goods held as surplus by Government agencies. Altogether, the effect of freezing certain types of surplus property may exert a deflationary effect upon employment generally by retarding the prompt achievement of full production. A high level of production is, after all, essential if we are to avoid severe inflation, or serious unemployment.

Of course, as I stated in my letter to you of May 16, it may be desirable to stock-pile certain critical materials to protect the future security of the Nation. It seems clear that the general freezing of inventories of durable commodities is not a desirable means to accomplish this end. Even a program limited to the use of surplus critical materials to build a stock pile for security purposes, it seems to me, ought to be carried on in such a way as to facilitate prompt reconversion. This necessary and desirable subsidiary objective of a stock-piling program could hardly be achieved by a general freezing without qualification of such surplus critical materials.

I appreciate your consideration in inviting my comments, and I would be happy to be of further service.

Sincerely,

CHESTER BOWLES, *Administrator.*

DEPARTMENT OF AGRICULTURE,
Washington, August 12, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, Committee on Military Affairs, United States Senate.

DEAR SENATOR MURRAY: This is in reply to your letter of August 4 requesting our views on the substitute version of S. 2045 and the draft bill included in the July 21, 1944 report of the Surplus Property Subcommittee of the Special Committee on Small Business. The short time between the date of your request and your need for our reply has not permitted a thorough analysis of the two bills involved and careful consideration by the various interested agencies of this Department and the War Food Administration.

We in the Department of Agriculture and the War Food Administration are particularly interested in the disposal of surplus agricultural land, certain facilities, machinery, equipment, tools, and materials, as well as food and other agricultural products. In the Secretary's testimony before the House Committee on Expenditures in the Executive Departments on August 9, 1944, a copy of which is attached, he expressed the views of this Department on all of these subjects except food and other agricultural products. As pointed out in that testimony, it is our firm belief that the disposal program for agricultural land and surplus equipment, machinery and materials which can be used for agricultural purposes should be carried out in such a way as to further the public programs and long-time agricultural policies established by Congress.

In view of the mandate which Congress has given to the Secretary of Agriculture and the War Food Administrator to support agricultural prices for at least two years after the war, we believe it is essential that the disposal of all Government-owned stocks of agricultural commodities and food, wherever located, be under our control or subject to our approval in order that price support and disposal programs may be properly coordinated.

In general, we favor the approach to the disposal problem that is contained in H. R. 5125 rather than that contained in the two bills to which you request our views.

In view of the urgency for this report to reach you, it has not been possible for us to obtain the views of the Bureau of the Budget as to its relationship to the program of the President.

Sincerely yours,

CHARLES F. BRANNAN,
Acting Secretary.

Enclosure.

TESTIMONY OF SECRETARY OF AGRICULTURE CLAUDE R. WICKARD ON H. R. 5125 BEFORE THE HOUSE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS, AUGUST 9, 1944

My remarks will concern the disposition of Government-owned land, facilities, equipment, machinery, and materials which properly can be used for agricultural purposes. The War Food Administration will testify concerning the disposition of food and other agricultural products.

I think H. R. 5125 is in essence a good bill and should become law. In my opinion the outstanding merit of the bill is that the objectives as stated in the bill reflect the idea that the disposal of surplus Government-owned war property is not to be a mere liquidation but to be an operation in the long-time interest of the whole Nation. In order that these objectives may be attained, I would like to see the bill more explicit in its authorizations and directives to the Surplus Property Administrator. I believe the suggestions I shall make are in conformity with the policies and procedures which have been established by Congress in previous legislation.

LAND

A great variety of land, ranging all the way from submarginal areas to some of our very best farm land, was acquired for various war purposes. When an area is declared surplus, a determination should be made immediately as to which parts are agricultural land.

The agricultural land which was owned by Government agencies before its utilization for war purposes should be returned to such agencies.

The remaining agricultural land should then be surveyed by agricultural technicians to determine its proper use on a long-term basis.

Submarginal land should be assigned to the proper State or Federal Government agency depending upon location and the use to which it might be put. For example, some of the land might be included in soil conservation, erosion control, and forestry programs of the Department of Agriculture or of appropriate programs of the Department of the Interior.

Such disposition of submarginal land not only would be wise from the standpoint of good land use, but would be economical in the long run even though the land might be sold for a few dollars per acre. This is true because it is very probable that sooner or later submarginal land which goes into private ownership will have to be taken over by public agencies at a time when its restoration or reforestation will be more difficult and costly.

The land which is determined to be suitable for ranching or farming should be divided into family-sized units by persons experienced in

such matters. It should be offered for sale only to those who do not now own a family-sized farm and who intend to live on the unit and operate it for a livelihood. No family should be permitted to buy more than one unit.

Subject to the conditions above mentioned, first preference should be given former owners and second preference to war veterans. The disposition of these units should be in accordance with the principles of the farm-tenancy program authorized by the Bankhead-Jones Act.

It would be inconsistent with sound public policy to permit this land to fall into the hands of those who do not need it for homes and a living when so many former owners and servicemen will find it impossible to get a farm at reasonable prices and terms.

This land should be sold on the basis of long-time earning capacity, taking into account the damage to the land, and to the buildings, fences, and other permanent improvements. From a strictly dollars-and-cents standpoint, I do not believe that the Government would gain by selling this land at the inflated values which current market prices reflect. Because of the Government's obligations to veterans to see that they have an opportunity to make a good living, any apparent gain from sale of farm land at high prices would be much more than offset by more costly and perhaps less effective methods of helping war veterans get back on their feet. Further, should the Government, by act and by example, accelerate the vicious land boom now getting under way, the Nation will have that much greater outlay when it attempts to restore the financial foundations of rural America, as it had to do after the land boom of the last war.

It is my earnest hope that Congress will make sure that the good farm land to be released by the Government is used for encouraging the family-sized, family-operated farm ideal of America, which has been the foundation rock not only of our agriculture but our entire Nation.

PLANT FACILITIES

A wide range of plant facilities have been constructed for war purposes, the disposition of which are of direct concern to agriculture. These plants range all the way from food and fiber processing and storage facilities to war plants which could profitably be converted to agricultural uses.

Wartime food processing facilities owned or financed by the Government include dried milk plants, concentrated citrus juice plants, dehydrated vegetable plants, and dehydrated raisin plants. Falling in a related category are the grain-alcohol facilities now operating at several locations as well as hemp processing plants in the Middle West. Government-financed cold-storage facilities also have been constructed in widely dispersed sections of the country.

Since it is upon the Department of Agriculture that responsibility falls for price support and other farm programs enacted by Congress, none of these plants which might be useful in carrying out those programs should be dismantled or used for new purposes without Agriculture's approval.

Furthermore, there are certain industrial plants capable of conversion to agricultural uses, the disposition of which should reflect that possibility. For instance, the Department of Agriculture already has recommended that 40 percent of our wartime synthetic nitrogen plant capacity be converted to the production of nitrogen fertilizer.

MACHINERY AND TOOLS

Already a small number of trucks suitable for farm production are moving through regular commercial channels, and with the aid of the Department facilities, going to farmers or haulers of farm products in critical need of transportation facilities. Insofar as adequate price and service guaranties go with this equipment, agriculture's interests are well served by this arrangement. Preliminary arrangements have already been made to sell surplus tractors and farm machinery and supplies in a similar manner.

In addition, there will be vast quantities of heavy equipment such as trucks, tractors, earth-moving equipment, road-building tools, and many types of supplies which can be used effectively and economically, and with great public benefit, in erosion control, irrigation, drainage and flood-control work, and in furthering programs in the field of soil, water, forest, and range conservation, and other public activities already recognized and sponsored by Congress.

For example, there are now more than 1,100 soil-conservation districts organized under the laws of the various States receiving Federal assistance. The availability of certain types of mechanical equipment would enable these districts to perhaps double their effectiveness in serving farmers all over the country and conserving the irreplaceable soil resources of the Nation by the construction of terraces, diversion ditches, drainage ditches, farm dikes, farm irrigation ditches and structures, stock water ponds, contour furrows, and similar soil- and water-conservation developments. Furthermore, the people of the United States own over 175 million acres of land in the national forests. A large quantity of supplies and equipment of many types could be used to increase tremendously the effectiveness of the protection, development, and use of this public resource. Equipment is needed for telephone and radio communications, construction and maintenance of forest roads and trails, firebreaks, reforestation, erosion control, range fencing, and so forth. There are also widespread agricultural research, pest-control, and similar activities that need many miscellaneous types of equipment.

I believe that any legislation dealing with surplus property should provide definitely and specifically for meeting the needs of these programs while this surplus is still in Government ownership. This could be done by legislative authorization or such other type of legislative sanction as will assure the transfer of adequate amounts of this equipment directly to the Government agencies charged with carrying forward these programs.

RURAL ELECTRIFICATION EQUIPMENT

Only slightly more than 40 percent of America's farm homes are electrified, in spite of the rapid gains which the rural electrification program has made during the last decade. During the war period extension of rural lines has been brought almost to a standstill. Now, with improved farm incomes, a large part of the five million rural families in unelectrified areas are anxiously awaiting the extension of electrical energy to their farms and homes. Completion of the Nation's rural electrification program in the post-war period offers one of the really great opportunities for providing employment and creating vast demands for consumer goods. At the present time, the

Rural Electrification Administration has $110,000,000 already allotted to co-ops which await only the availability of materials to begin construction. Also on file with the Rural Electrification Administration are applications for funds totaling an additional $100,000,000. These two sums represent only the beginning on the post-war rural electrification job.

Among the supplies of war materials which will be declared surplus sooner or later, are large quantities of electrical equipment and materials, including some power-generating plants, which the Rural Electrification Administration cooperatives could use to a splendid advantage. I hope that Congress will direct that a large share of these items be reserved for the Rural Electrification Administration cooperatives, 800 of which are already in existence.

COOPERATIVES

Section I of the bill states, among other objectives, that it is the purpose of the bill to discourage monopolistic practices, preserve and strengthen the competitive position of small business, and to effect broad and equitable disposition of surplus property. I know of no more effective means of attaining these objectives than giving preference to farmer-owned and farmer-operated cooperatives in the disposition of equipment and materials which can be used for agricultural purposes. Such preference also would be in accord with the long-standing policy of Congress to aid in the establishment and operation of farmer-owned and farmer-operated cooperatives.

In conclusion I want at least to mention a subject somewhat outside the principal field of my discussion, but of great interest to farm people. That is the disposition of surplus medical and dental equipment. Details of handling this type of equipment lie far beyond the scope of the Department of Agriculture. But as Secretary of Agriculture, it is my responsibility to point out that Selective Service records and other information indicate that the health needs of rural America are relatively greater than those of urban areas. I trust that Congress will bear them in mind when it lays down principles for disposition of medical and dental equipment.

OFFICE OF WAR MOBILIZATION,
SURPLUS WAR PROPERTY ADMINISTRATION,
August 14, 1944.

Hon. JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: Since August 8, 1944, when your letter of August 4, 1944 was received, our general counsel and I have been almost continuously engaged with the House Committees on Post-war Economic Policy and Planning and on Expenditures in the Executive Departments, in connection with H. R. 5125.

For that reason, I have been unable to prepare a detailed analysis of the two bills which you sent me.

However, I enclose copy of a letter which I wrote to Senator Johnson on June 29 commenting on his bill S. 2045 as originally introduced.

This measure is in effect a bill to prevent the disposal of surpluses. I am strongly opposed to that type of legislation.

The bill included in the July 21, 1944 report of the Surplus Property Committee of the Special Committee on Small Business comes closer to being desirable legislation but still contains objectionable provisions of the type which I discussed at length in my testimony on June 16, 1944, at a joint hearing of interested Senate and House committees presided over by Senator George.

I am strongly of the view that the proposed legislation which we recommended and which I explained at length and in detail at the joint hearing referred to above is greatly preferable to either of the bills which you sent me with your letter of August 4.

The proposed legislation which we recommended was the result of an intensive study of the matter by a legislative committee of which I was chairman and on which 10 or 11 interested Government agencies were represented.

I believe with one possible exception all these Government agencies testified on June 20 before Senator George's committee as being in favor of our proposed legislation.

Sincerely yours,

W. L. CLAYTON,
Administrator.

JUNE 29, 1944.

Hon. ED C. JOHNSON,
Senate Office Building, Washington, D. C.

DEAR SENATOR JOHNSON: Referring to S. 2045 and your letter of June 26, 1944, requesting my comments with respect thereto and my suggestions as to possible changes therein:

As you know, a committee on legislation representing a number of executive agencies, acting under my chairmanship, has prepared a proposed bill on the subject of property disposal. I believe you are familiar with that bill, and with the testimony concerning it. A number of the provisions of S. 2045 are identical with provisions which we recommended. To the extent, however, that S. 2045 departs from our recommendations, and particularly in sections 6, 7, and 9, I feel strongly that it would greatly impede the disposal of surpluses.

I feel, and I think the country feels, that surpluses are a national asset which must be realized on, and that to hold them off the market when they could be usefully sold would be a major mistake.

I shall deal first briefly with matters of basic substance, and thereafter with a few matters which, while not so fundamental, are still essential in my opinion:

(1) Many types of property, if they are to be sold at all, will bring far less than either cost of production or current replacement cost. The price restrictions of sections 7 and 9 (a) (1) thus in effect prohibit the sale of a major portion of all surpluses.

(2) Section 9 (a) (2) is a flat prohibition on the sale of scrap or obsolete material. This would require a mountainous accumulation of material which should be put back into the stream of production just as fast as it can be economically absorbed.

(3) The rigid requirements of sections 7 and 9 (a) (1) for sales through established trade channels, and the added provision of section 9 (a) (1) for a first offer of all durable property to the manufacturer, would give existing trade groups a stranglehold. The Administration would have to sell to them or not sell at all. Since

under those circumstances those groups would seldom offer the high prices required by the statute, there would be few sales.

(4) The limitation of sales of durable goods to 20 percent per year, in section 9 (a) (1), seems to me to be an arbitrary provision directly contrary to the public interest. The administrator already has a mandate not to disrupt the economy, and the faster he can sell surpluses without such disruption, the better. Conditions in some years may permit much more than 20 percent to be sold at good prices, while in other years much less than that amount might be salable.

Perhaps less important, but still essential, are the following points:

(*a*) S. 2045 contains no clear grant of power to sell any property, such as that contained in sections 11 (a) and (d) of our proposal. One of the most pressing reasons for legislation is to have, in a single act, a clear grant of power to pass title upon which a purchaser can rely. While S. 2045 implies such a power as to some types of property, it might exclude others by implication, and in any event the power should be clearly stated. This is particularly true since S. 2045 omits any statement of the effect it is intended to have on existing laws.

(*b*) I think, that, whether or not the distinctions intended to be made are valid, the definitions of the three different classes of property to which S. 2045 refers are not clear enough to enable an Administrator to carry out its provisions. I refer particularly to the definition of "common supplies."

(*c*) The elimination of all references to disposal agencies seems to me highly undesirable, since it creates the possibility of a large separate disposal organization directly under the Administrator.

(*d*) I see no justification for giving away all surplus perishable property.

At your convenience, I would be very glad to come to your office and discuss these points with you.

Sincerely yours,

W. L. CLAYTON,
Administrator.

DEPARTMENT OF JUSTICE,
Washington, D. C., August 14, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

MY DEAR SENATOR: In your letter dated August 4, 1944, you requested the views of the Attorney General on two surplus war property legislative proposals now being considered by the War Contracts Subcommittee:

(1) the substitute version of S. 2045, introduced by Senator Edwin C. Johnson,

(2) the draft bill included, without subcommittee commitment, in the July 21, 1944, report of the Surplus Property Subcommittee of the Special Committee on Small Business.

I shall discuss each of these proposals briefly.

The substitute version of S. 2045.—The purpose of this bill is to create a central administrative agency to carry out its provisions with respect to surplus war property. I invite your attention to the following aspects of the bill:

1. The bill does not contain any provision expressly conferring legal authority upon the Government agencies to dispose of, to transfer and otherwise handle property as contemplated in the bill. It is necessary to find that authority by implication from other provisions in the bill. As the Attorney General pointed out in his testimony before the War Contracts Subcommittee on April 18, 1944, a matter of this importance should not be left to implication. In my view, it is essential that any bill on surplus property should contain a provision which clearly confers requisite authority upon the appropriate Government agencies.

2. Section 11 of the bill, with certain exceptions that need not be noted here, is designed to freeze the sale of surplus property for a period of 5 years. In his testimony before the War Contracts Subcommittee, the Attorney General discussed the reasons why he did not favor any legislation which arbitrarily freezes the sales of surplus property. To remove any doubts as to our views in this matter, I would like to add, that in my opinion, the enactment of legislation enabling the Government agencies to adopt and carry out a well-considered program for the management and disposal of surplus property would bring the greatest return to the Government, facilititate the reconversion of industry and would reduce the dangers of dumping and speculation. Much of the surplus property may be urgently needed to enable industry to reconvert rapidly and it could be absorbed readily without disorganizing the domestic economy. A market exists at the present time for a great deal of this property but may not exist in the future. These commments are applicable also to other sections of the bill which would freeze the sale of property.

3. Section 12 of this bill appears to be identical with section 13 in the original draft legislation prepared by Mr. Clayton, the Surplus War Property Administrator. In its present form the section may create doubt as to the effect of the statute on the administration of the antitrust laws. I suggest that section 12 be eliminated and that section 16 of S. 2065, a bill prepared by the Senate Small Business Subcommittee, be substituted. I have attached a copy of this section to this letter.

4. Section 9 of the bill in its present form may cause serious administrative difficulties. Although the definition of the term "common supplies" has been modified in the substitute bill, it will be difficult to determine what kinds of property are included within the definition. It may not be possible to fix the replacement cost of many articles of surplus property as required by this section. An artificial restriction on price such as that incorporated in this section may prevent sales of much surplus material, particularly used surplus property. Finally, I wish to point out that the requirement that goods be sold through regular trade channels might be construed as preventing new concerns from dealing in surplus property. If such a restraint is intended, it would, of course, place a serious obstacle in the way of any person including a veteran who wished to establish his own business enterprise.

5. Section 13 provides that no Government agency shall produce articles for civilian use in competition with private industry or produce articles for military use in facilities acquired by the Defense

Plant Corporation. In a letter to Senator Johnson, dated August 7, 1944, the Attorney General pointed out that this provision is in the nature of general legislation, almost wholly unrelated to the disposition of surplus Government property. Further, in its present form, the section is ambiguous and might be construed to prevent many Government operations authorized by statute in which various products are made available to the public by sale or otherwise. An example of a Government agency carrying on this kind of operation is the Tennessee Valley Authority.

The draft bill included in the subcommittee reported dated December 21, 1944.—The purpose of this bill is to set up an administrative organization for the disposition and management of surplus property. I have the following comments to make on this bill:

1. The bill, like S. 2045, does not contain any provision expressly conferring authority upon the Government agencies charged with the administration of the act. The comments I made on S. 2045 are applicable here.

2. Section 7 requires each agency charged with the responsibility of disposing of surplus property to organize advisory committees with which it shall consult regarding the disposal of property under the act. It provides that the committees shall be representative of large and small business units, labor, farm, consumer and other interested groups. A provision of this kind with respect to advisory committees appears to me to be unnecessary. As you know, a number of agencies have organized advisory committees pursuant to arrangements with this Department. I am enclosing copies of letters dated April 29, 1941, June 27, 1944, and July 5, 1944, exchanged between this Department and the War Production Board which describe the arrangement under which the War Production Board advisory committees are operating. Similar arrangements have been effected with every agency using advisory committees. The requirements with respect to the use of advisory committees described in these letters are intended to enable the committees to consult with the agencies desiring advice without violating the antitrust laws and at the same time to prevent abuses that might arise from their use. These arrangements which have existed since 1941 have, I believe, worked very satisfactorily.

If, however, it is determined that section 7 should be retained in the bill, there are a number of objections to the provision in its present form. A mandatory provision requiring each agency to use advisory committees appears to be inadvisable. The use of these committees should be left to the discretion of the disposal agencies. I see no reason to compel an agency to organize an advisory committee unless the committee would serve a useful function. In order that it be clear that these committees would perform only advisory and consultative functions, I suggest that in addition to the requirement that the committees be representative, language be added to provide that the Government agencies and not the committees shall formulate and carry out all policies and procedures, and that the organization of these committees shall not impede in any way the opportunity of any other person to present his views to the Government agency. I

would favor also the insertion, with appropriate modification, of the following language taken from section 103 (e) (1) of S. 2061:

Provided. That full information on all such councils shall be submitted to the Attorney General and no such councils shall continue any operations or activities which the Attorney General finds and certifies to the Director tend to promote the restraint of trade or the extension of monopoly;

The reasons why I believe these safeguards are necessary are discussed in the letters referred to above exchanged between this Department and the War Production Board. It is my view that any legislation relating to advisory committees should contain these safeguards in order to eliminate any possibility of abuse resulting from the establishment or use of advisory committees.

3. The meaning of section 8 in this bill is not clear. It is not possible to determine whether the agencies named will act as disposal agencies subject to the authority and direction of the Administrator, or whether these agencies will, in fact, act independent of the Administrator's control. If the latter construction is correct, the divided responsibility for the management and disposition of surplus property may cause serious difficulties. In any event, this ambiguity should be eliminated.

4. I suggest that section 16 of S. 2065, a copy of which is attached to this letter, be substituted for section 10 (b) of this bill.

In view of the urgency of your request, it has not been possible to determine from the Bureau of the Budget if there would be any objection to the submission of this report.

Sincerely yours,

CHARLES FAHY,
Acting Attorney General.

SECTION PROPOSED TO BE SUBSTITUTED FOR SECTION 12 OF S. 2045

SEC. —. Whenever the Administrator or any disposal agency shall begin negotiations for the sale or transfer to private interests of a plant or plants or other property representing an original cost to the Government of $1,000,000 or more, the Administrator or disposal agency shall promptly notify the Attorney General of the proposed sale or transfer and the probable terms or conditions thereof. Within a reasonable time after receiving such notification the Attorney General shall advise the Administrator or disposal agency whether the proposed sale or transfer will either violate the antitrust laws, or encourage monopoly or undue concentration of industry or commerce or restrain competition substantially. Upon the request of the Attorney General, the Administrator or other Government agency shall furnish or cause to be furnished such information as the Administrator or any such agency may possess which the Attorney General determines to be appropriate or necessary to enable him to give the advice called for by this section or to determine whether any other sale or transfer of surplus property violates the antitrust laws. Nothing in this Act shall impair, amend, or modify the antitrust laws or limit and prevent their application to persons who buy or otherwise acquire property under the provisions of the Act. As used in this section, the term "antitrust laws" includes the Act of July 2, 1890 (ch. 647, 26 Stat. 209), as amended; the Act of October 15, 1914 (ch. 323, 38 Stat. 730), as amended; the Federal Trade Commission Act; and the Act of August 27, 1894 (ch. 349, sec. 73, 74, 28 Stat. 570), as amended.

APRIL 29, 1941.

JOHN LORD O'BRIAN, ESQ.,
General Counsel, Office of Production Management,
Washington, D. C.

DEAR JOHN: The marshaling of the Nation's industrial assets for a maximum productive effort in the national defense will doubtless require the allocation of orders, the curtailment of some kinds of production so as to increase production in defense fields, and the establishment of priorities and price ceilings. Furthermore, many of these steps must necessarily affect the production of goods used to satisfy our normal needs, as well as the production of materials and implements used directly in our defense effort.

Some of these acts, if accomplished by private contract or arrangement within an industry and carried on for private advantage, would probably constitute violations of the antitrust laws. On the other hand, it is obvious that in the present emergency acts performed by industry under the direction of public authority, and designed to promote public interest and not to achieve private ends, do not constitute violations of the antitrust laws. In these circumstances, the Department of Justice recognizes that business interests which are asked to comply with public plans for increasing production and preventing inflation are entitled to the cooperation of agencies of the Government in eliminating any uncertainties which may exist as to the application of the antitrust laws to their activities.

Accordingly, this Department has formulated a policy which it proposes to follow in its relations with the Office of Production Management and the Office of Price Administration and Civilian Supply and with all industries or contractors acting in compliance with the orders or requests of either of these organizations. The important points of this policy are:

Meetings of the industry with the Office of Production Management and the Office of Price Administration and Civilian Supply or their representatives are not illegal. Industrial committees may be formed at the request of the Office of Production Management or the Office of Price Administration and Civilian Supply, to work with representatives of such offices on problems involving defense. There will be nothing unlawful in the industry cooperating in the selection of its representatives or in selecting members for committees, or in the activities of such committees provided they are kept within the scope of this letter.

Questions as to whether there is need for such a committee, and if so, how it shall be chosen, and by whom constituted, shall be the sole responsibility of the Office of Production Management nor the Office of Price Administration and Civilian Supply. This Department will not participate in these decisions beyond the suggestion now made that any such committee should be generally representative of the entire industry and satisfactory to the Office of Production Management or the Office of Price Administration and Civilian Supply.

Each industry committee shall confine itself to collecting and analyzing information and making recommendations to the Office of Production Management or the Office of Price Administration and Civilian Supply, and shall not undertake to determine policies for the industry, nor shall it attempt to compel or to coerce any one to comply with any request or order made by a public authority.

All requests for action on the part of any unit of an industry shall be made to such unit by the Office of Production Management or the Office of Price Administration and Civilian Supply and not by the industry committee. That is to say, the function of determining what steps should be taken in the public interest should in each case be exercised by the public authority which may seek the individual or collective advice of the industry. But the determination shall not be made by the industry itself or by its representatives.

Requests for action within a given field, such as the field of allocation of orders, shall be made only after the general character of the action has been cleared with the Department of Justice. If the general plan is approved, thereafter each request for specific action in carrying out such plan shall be made in writing and shall be approved by the office of the general counsel of the Office of Production Management or the office of the general counsel of the Office of Price Administration and Civilian Supply, but need not be submitted to the Department of Justice. In the case of any change in the personnel of such offices or if serious practical difficulties arise, this latter arrangement may be revoked upon notice from me.

Acts done in complaince with the specific requests made by the Office of Production Management or the Office of Price Administration and Civilian Supply and approved by their general counsel in accordance with the procedure described in this letter will not be viewed by the Department of Justice as constituting a violation of the antitrust laws and no prosecutions will be instituted for acts performed in good faith and within the fair intendment of instructions given by the Office of Production Management or the Office of Price Administration and Civilian Supply pursuant to this procedure.

In the case of all plans or procedure, however, the Department reserves complete freedom to institute civil actions to enjoin the continuing of acts or practices found not to be in the public interest and persisted in after notice to desist.

With kind personal regards,

Sincerely,

ROBERT H. JACKSON,
Attorney General.

JULY 5, 1944.

JOHN LORD O'BRIAN, Esquire
General Counsel, War Production Board,
Washington, D. C.

DEAR MR. O'BRIAN; In your letter of June 27, 1944, you ask for my views concerning utilization of industry advisory committees to consult with the War Production Board on matters relating to industrial demobilization and reconversion.

Conditions during industrial demobilization will, of course, differ considerably from those under which the war production program was initiated and is being carried on. But consultation such as you describe by members of industry advisory committees with the War Production Board while hostilities continue does not constitute violation of the antitrust laws. Consultation, of course, does not involve the determination by the industry advisory committee itself of policies, the administration of programs, or the formulation of problems which should be the responsibility of the War Production Board. The

carrying out of consultations should not be considered as implying that members of such committees are authorized to get together and reach an agreed position in anticipation of such consultations. If the members of the committees should themselves privately agree on any plan or program or take part in any such private plan or program involving, directly or indirectly, the production or distribution of commodities, such a plan or program would be subject to the antitrust laws.

Sincerely yours,

FRANCIS BIDDLE, *Attorney General.*

JUNE 27, 1944.

The Honorable The ATTORNEY GENERAL,
Washington, D. C.

DEAR MR. ATTORNEY GENERAL: On April 29, 1941, the Attorney General advised me that meetings of industry with the Office of Production Management, predecessor to the War Production Board, were not illegal under the antitrust laws and that industrial committees might be formed at the request of this agency to consult with it on problems involving defense. The Attorney General stated that there would be nothing unlawful in the activities of such committees provided they were kept within the scope of his letter.

Some problems of industrial demobilization and resumption of civilian production are presently arising to the solution of which industry advisory committees will be able to make a substantial contribution. The question has arisen as to whether the policy of the Department of Justice as expressed in the letter of April 29, 1941, was intended to extend, or may now be extended, to consultations with such committees on demobilization and reconversion problems while hostilities continue in this war.

In connection with the utilization of the committees for these purposes, I may state that the limitations expressed by the Attorney General in his letter of April 29, 1941, will in all respects apply to such activities. Of course, the War Production Board may seek the advice of persons not on the committees, and the committees will not operate to foreclose in any way the access of businessmen or others to the War Production Board.

Your views would be appreciated as to the application of the antitrust laws to the utilization by this agency of industry advisory committees on demobilization and reconversion problems.

Yours sincerely,

JOHN LORD O'BRIAN, *General Counsel.*

FEDERAL TRADE COMMISSION,
Washington, July 14, 1944.

In re post-war utilization and disposition of Government-owned war property.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: In your letter dated June 1, 1944, you requested us by June 10 to "* * * list those aspects of this problem on which congressional action is, or will be, essential or desirable * * * without necessarily indicating the views" which we might believe "Congress should take on such questions," and to make "at the same time, any specific comments or recommendations with regard to congressional policy on the subjects listed."

You appreciate, of course, that the problems of charting a wise legislative course to govern a reconversion from a wartime to a peacetime economy and the more specific problem of "post-war utilization and disposition of Government-owned war property," are so complex and of such huge dimensions and such fateful import that it is difficult to offer any very helpful suggestions in the short time available. Subject to that difficulty, however, we shall endeavor to comply with your request.

It is assumed that you would not care for our comment on the numerous matters and details of the problem that are unrelated to the work of the Federal Trade Commission, but only for comment upon the broad questions of public policy inhering in the functions delegated to the Commission by Congress and looking toward maintenance of the competitive system of free enterprise. It is gratifying to note, therefore, that most of the bills providing for disposal of Government-owned surplus property declare that the general and ultimate objective to be pursued is that of maintaining such system. Some of the bills provide for competitive bidding among prospective purchasers of Government surplus property while others would permit the price to be fixed by Government representatives without any such safeguards. In the event the latter policy were to be adopted appropriate provision should be made for special care in the selection of such representatives. For the attitude of such representatives would be crucial. Obviously no person entrusted with such a responsibility should have any connection, affiliation, or interest of any kind in the industry into which the surplus property is to be absorbed. Otherwise, the opportunities for selling it at a fraction of its value with unnecessary loss to the Government and with corresponding gain to favored private parties, would be greatly enhanced. If collusion in bidding were resorted to it would presumably be subject to punishment under the fraud statutes and

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possibly under the antitrust laws as well. All proposed sales of surplus property should be widely publicized in order to attract the largest possible number of bidders. To the same end precautions should be taken where feasible to see that surpluses are not offered for sale in such large lots as would automatically limit the bidding to a few. In order to prevent monopolistic conditions in an industry being accentuated, it might become advisable to prevent established concerns having an unduly preponderant position from either directly or indirectly bidding on or acquiring Government-owned surplus plants or other property. This would be no more than recognition or extension of the principle embodied in section 7 of the Clayton Act with reference to capital stock acquisitions when they adversely affect competition.

In the event that no bidder willing to pay a reasonable or competitive price were to come forward, a situation would be created under which the Government would either have to postpone sale of the property until such conditions change, sell for whatever it can get, or consider whether the circumstances would then warrant either operating a plant itself or disposing of surplus consumer goods direct to the consumer. Assuming, however, that the Government would under no circumstances compete directly with private industry, the question arises whether the principles of the antitrust laws may or should be implemented by attaching appropriate conditions to the acquisition and subsequent disposition of surplus property.

So far as movable goods and merchandise are concerned, the Government could readily prevent speculation and speculative profits by fixing the permissible margin between what it receives for such goods and merchandise and what the purchaser may resell them for. And just as private interests are now permitted by the laws of many States to fix that margin by contract all the way down from the manufacturer to the consumer on the theory that the manufacturer has some continuing interest in his product after he has sold it, so the Government representing the public interest should be allowed to protect that interest in the same way. Such protection of its interest as owner and seller of goods would be free from the objection frequently made to the Miller-Tydings Act and to the numerous State fair-trade acts, in that it would give members of the general consuming public some voice in the prices to be paid by them individually for the goods they already own collectively. Even though such acts were not in existence the Government would be warranted under existing circumstances in taking such steps to prevent speculation and unconscionable margins of profit in the resale of surplus goods. The relation between prices and margins so fixed and the ceiling prices of Office of Price Administration would, of course, have to be taken into account.

Some of the bills would permit or require the protection of existing investments or channels of distribution and by implication the existing price structures which have grown out of them. Some would authorize even the physical destruction of surplus plants or goods in order to avoid substantial injury to the industry or industries concerned arising from the operation of such plants or the sale of such goods. It may be expected that such provisions would be taken as overriding merely general expressions of a desire to maintain or restore competitive conditions. And yet potential competition has always been regarded as

a vital part of the competitive theory of free enterprise. Such provisions would seem to strike directly against the emergence of potential competition where, as it always does, such competition poses a threat to existing industry.

The Government's present ownership on a huge scale of the most modern producing plants and of vast surpluses of movable goods can become a powerful instrument either to protect and extend existing monopoly or to restore and maintain competition. Everything depends on the direction which in the instrument is applied. If it is desired to decentralize control of industry, to give consumers the benefits of the substantial efficiency inhering in their proximity to nearby sources of supply, if it is desired to discourage the unnecessary cross hauling of goods that arises when distant producers come into local markets at identical delivered prices and to reduce the price level made necessary by such waste, a most powerful leverage could be exerted in that direction in either or both of two ways:

1. By requiring the purchasers or lessees of any producing plant now owned by the Government to agree upon conditions that would insure its fullest possible operation and in that connection to agree that the output of the plant shall be sold at f. o. b. plant prices with the purchasers thereof being allowed to provide for their own transportation, or, if the product is sold on a delivered-price basis, that due allowance shall be made to all customers for differences in cost of delivery to different destinations. This latter would be merely what the Robinson-Patman Act presumably contemplates. To permit Government plants transferred to private ownership systematically to refuse such allowance would encourage them to synchronize their prices with those of their competitors and to so match delivered prices that purchasers would be unable to find any price advantage in dealing with any one of them.

2. By imposing a similar requirement upon the purchasers of movable goods for resale, such requirement to be applicable at whatever point of actual shipment such purchasers might select for naming the price to their customers. The advantages of such requirement would be the same or similar to those stated under No. 1.

Some of the bills would provide for interim loans and removal and storage of surplus material at Government expense. Such forms of relief could also be directed either in aid of the restoration and maintenance of free competitive enterprise or in the opposite direction. If employed for the former purpose or in aid of such specific proposals as No. 1 and No. 2 above, such governmental aid might spell the difference between success and defeat of the private interests, whether large or small, that attempted to operate in accordance therewith. If small business as such is to be given concrete governmental aid of a financial character or otherwise, and if the ultimate purpose of such aid is to maintain the competitive system of free enterprise, then such aid might logically be granted on conditions that would directly serve that ultimate purpose. Here again, however, there seems to be no way in which small business may be thus assisted without making it a serious potential competitor of the established large concerns. And yet unless such potentiality is promoted and unless in some way it becomes an actuality, the ultimate aim of such Government aid is not accomplished. A break-down of movable surplus property into small units in order to widen the scope of the market, multiply the

potential number of prospective or actual bidders and thus create a larger number of small purchasers, would seem worthy of consideration in this connection. Such a break-down would also facilitate the reemployment of men returning from military service.

We assure you of our desire to be helpful in any way you might suggest toward attaining the generally accepted objective of restoring, maintaining, or promoting the competitive system of free enterprise by means of a wise disposition of surplus Government property. We assume that the consumer, taxpayer and business itself have a common interest in the choice of means which will best serve that end.

By direction of the Commission.

Sincerely yours,

R. E. FREER, *Chairman.*

P. S. The Bureau of the Budget has advised by letter of July 12, 1944, that there would be no objection to the submission of this report to the War Contracts Subcommittee, Senate Committee on Military Affairs.

RECONSTRUCTION FINANCE CORPORATION,
Washington, August 14, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, Washington, D. C.

MY DEAR SENATOR MURRAY: Your letter of August 4, 1944, addressed to the Honorable Jesse H. Jones, requesting a report as to (1) the substitute version of S. 2045, and (2) the draft of a bill included in the July 21, 1944, report of the Surplus Property Subcommittee of the Special Committee on Small Business, has been referred to me for reply.

I would not recommend enactment of S. 2045, the principal feature of which is to impound durable property until 5 years after termination of the present war. While speedy industrial reconversion is essential in order to avoid widespread unemployment and other attendant evils, I cannot believe that the immediate sale of consumable items will retard the process of reconversion. To hold such goods from the market at this time certainly would result in industry later facing a market unnecessarily depressed by commodities which could have been previously absorbed. At a time when there is the greatest demand for these goods, when purchasing power is greater than ever before, and when the national debt is larger than at any other period, there would appear to be no valid argument against now proceeding with the disposition of surplus Government property in order to realize the highest obtainable return for it consistent with the maintenance and encouragement of a healthy, competitive economy.

The draft of the bill included in the July 21, 1944, report of the Surplus Property Subcommittee of the Special Committee on Small Business contains certain desirable features. The Surplus War Property Administrator, Mr. W. L. Clayton, has discussed at great length certain other provisions of that bill in his testimony at a joint hearing before the Special Committees on Post-war Economic Policy and Planning on June 16, 1944, and more recently before the House Committee on Expenditures in the Executive Departments. I concur

in Mr. Clayton's objections to those provisions and agree with him that the bill which he has proposed is more desirable than any bill which has been introduced on this important subject.

Sincerely yours,

CHARLES B. HENDERSON,
Chairman of the Board.

DEPARTMENT OF STATE,
August 14, 1944.

The Honorable JAMES E. MURRAY,
United States Senate.

MY DEAR SENATOR MURRAY: I am writing with further reference to the two legislative proposals on the disposition of surplus war property which you enclosed with your letter to the Department dated August 4, 1944.

The first bill is a substitute version of S. 2045 introduced by Senator Edwin C. Johnson. As was pointed out in the Department's letter to you of June 1, 1944, the primary concern of the Department is in the problem of foreign disposal of surplus property, both property located abroad and property exported from this country and our interest in domestic disposal policies is in their relation to our foreign trade.

Section 11 (a) of the bill provides, in effect, that, with certain exceptions, durable property is to be frozen for 5 years after the end of the war and not disposed of at all and section 11 (e) specifically freezes scrap and obsolete material. The definition of durable property contained in section 2 (d) includes unmanufactured wool and cotton. It is probable that there will be a substantial need for such supplies in foreign countries, especially in those areas which have been devastated by the war. While a partial exception for export is found in section 8 (a), the exception allows the acquisition of property for export only by certain Government agencies. We feel that an opportunity should be given to private trade to participate in exporting from this country those goods which foreign markets will need and which can be supplied out of surpluses. The limitation of export trade in surpluses to Government agencies is inconsistent with the traditional policies of this Government and with the development of an expanding world trade. Accordingly, we would suggest the change of section 8 (a) to permit private trade the chance to export surpluses and a change of the freeze provisions in section 11.

Section 8 (b) of S. 2045 provides in substance that surplus property exported from this country may not be brought back into this country. We doubt the desirability of such a provision. If the policy is followed in foreign disposal of disposing of property where there is a real local need for the property for use or consumption and if the property is disposed of for the greatest net realization to this Government, it is to be doubted whether there will be any danger that the property will be returned to this country. So many foreign countries will have been through a long period of severe shortages that they will be likely to retain and use any surplus property which comes into their possession or, if there is any need to reexport, there will be so many areas of greater need than the United States that it seems unlikely that property

would be returned here. If this country takes the lead in enacting legislation which discriminates against surplus property, it may well be that other countries would do likewise and thereby establish trade barriers which might in the long run be of great detriment to our foreign trade. In addition, there is the possibility that certain types of equipment may be sold abroad and need rehabilitation or repair. An example of this might be aircraft suitable for commercial use. It would seem unfortunate to make it impossible for such rehabilitation and repair to be done in this country.

The sweeping nature of the prohibition contained in section 8 (b) would require the establishment of an elaborate system of import controls in order to make certain that not a single shipment of surplus property return to the United States.

Sections 11 (a) and (b) deal with the disposal of surplus aircraft. The whole problem of disposal of surplus aircraft, both here and abroad, has been carefully considered by a committee appointed by Mr. Clayton, the Surplus War Property Administrator, and policy recommendations have been made which tie in with the current consideration which is being given to the complex problem of post-war aviation. A representative of this Department participated in the work of that committee. It is assumed that Mr. Clayton is prepared to communicate the results of that committee's action to you and therefore we are refraining from commenting on sections 11 (a) and (b) of the bill.

Section 11 (c) of the bill prohibits the disposal of any vessel, except as specifically authorized by an act of Congress. We believe that the problem of disposing of surplus vessels is again one of great complexity and should be approached in terms of our long-range maritime, commercial, and military policies. An Interdepartmental Committee, upon which this Department is represented, is working on the formulation of recommendations with regard to our maritime and commercial policy and views of that Committee will undoubtedly be available to you. Accordingly, it would not seem useful for us to discuss section 11 (c) of the bill independently.

Section 11 (e), which has been referred to above, provides that obsolete and scrap material shall be frozen into a stock pile, to be disposed of as Congress may provide. This Department is very much concerned with the problem of national stock piles. It believes that the composition of stock piles should be determined with reference to needs and not in terms of the quantity of material classified as obsolete or scrap, and that the question of stock-piling scrap and obsolete material should be treated as a part of the broader problem of stock-pile policy.

As was pointed out in the Department's letter to you of June 1, 1944, occasions may arise when it will be desirable to be able to dispose of surplus property abroad on credit terms and it is again suggested that consideration might be given to this problem.

The second bill upon which you request comment is contained in the July 21, 1944, Report of the Surplus Property Subcommittee of the Special Committee on Small Business. It is our view that a bill of this type, which defines the objectives to be sought in disposing of surplus property and the general policies to be followed, leaving a flexibility of operation in the Administrator, is the most feasible type

of legislation insofar as the interests of this Department are concerned. It is virtually impossible to foresee the various circumstances and conditions which will affect the disposal of surplus property abroad.

Section 1 (h) of this bill refers to "programed exports" of surpluses and section 8 (a) (4) gives a priority in acquiring surpluses for export to a Government agency. As stated above in commenting on S. 2045, this Department would be very reluctant to see established the practice of having exports of surpluses handled exclusively by a Government agency rather than through normal private trade channels. A priority to a Government agency to enable the carrying out of Government exports during the war period, such as Lend-Lease, or a priority to acquire surpluses to enable this Government to carry out its participation in the United Nations Relief and Rehabilitation Administration, is, of course, unobjectionable.

While this bill covers surplus property located abroad, as well as surpluses in this country, there are certain provisions which would seem not to be applicable to property located abroad, for example, the priority given to the Smaller War Plants Corporation in section 8 (a) (3) and the provisions of section 10 (f) relating to notification of proposed sales to that Corporation. It is doubtful whether such priority and notice would be applicable in the case of property located abroad. Yet, it would apparently be required by the bill. It might be desirable to include the provision contained in Senator Johnson's bill authorizing the Administrator to exempt from some or all of the provisions of the bill the disposition of property located outside of the continental United States or in Alaska.

The comments made above with regard to the desirability of considering sales on credit are applicable to this bill.

I appreciate the opportunity which you have given us of examining these proposed bills and wish to assure you of our desire to be of all possible help in your consideration of this difficult problem.

The Department has been informed by the Bureau of the Budget that there would be no objection to the submission of this report, with the understanding that no commitment should be made at this time as to the relationship to the program of the President of any provision of this or any other bills in the surplus war property field now before the Congress.

Sincerely yours,

CORDELL HULL.

UNITED STATES MARITIME COMMISSION,
Washington, D. C., August 12, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: This will acknowledge your letter of August 4, 1944, relative to the substitute version of S. 2045, and the draft bill in the July 21, 1944, report of the Surplus Property Subcommittee of the Special Committee on Small Business.

I am enclosing herewith a statement which I prepared in connection with the surplus property bill, H. R. 5125, which discusses very briefly some of the special problems with respect to the disposition of

merchant shipping. In general it appears that the provisions of H. R. 5125, with the exception of those of subsection (a) of section 7 referred to in my statement, would be preferable to those of either of the bills referred to in your letter. No attempt will be made to comment at this time in detail on the two bills submitted. I should, however, like to call to your attention certain provisions and probable undesirable effects thereof.

The provisions of section 11 of the bill S. 2045 appear to be highly undesirable. Such provision will preclude the disposal either in this country or abroad of equipment and supplies at a time when they might be urgently needed in connection with the manufacture and distribution of civilian products. It might, therefore, have the effect of retarding rather than facilitating reconversion and reemployment in the post-war period thereby defeating the purposes which are evidently sought to be attained. Furthermore, it is obvious that it would impose an additional burden upon the taxpayers by preventing the sale of Government property at a time when the best markets for such property will probably be available.

The bill, if enacted in its present form, would preclude the Commission from restoring to their former owners merchant vessels and small craft which have been requisitioned for the war effort from United States citizens as well as from selling vessels constructed for Government account. This would result either in Government operation of ship lines which is contrary to the policy of the Merchant Marine Act, 1936, or the curtailment of shipping services with consequent unemployment among the seamen who have been rendering such fine service in the present war. Furthermore, it would work a great hardship on those fishermen, tug operators, and others who depend for their livelihood in peacetime on the use of small craft.

In any event subsection (c) of section 11 should be clarified so as to make it clear that the laws authorizing the sale of vessels referred to therein include the Merchant Marine Act, 1936, as amended, and other laws heretofore or hereafter enacted which provide for the sale and charter of merchant vessels.

Section 12 of the bill, S. 2045, would appear to permit disposition of plants either by sale or lease subject to the restrictions contained in such section and the following section. In view of the definition of the term "durable property" contained in section 2 of the bill there would, however, appear to be some question as to whether disposition could be made of equipment owned by the Government but operated as an integral part of a privately owned plant as such equipment under the laws of a particular State in which the plant was situated would be classed as personal property. Many privately owned plants, including shipyards, have been rearranged so as to permit the use of Government-owned equipment which the contractor may desire to purchase. In those cases where the contractor is willing to pay a fair price for the equipment it would be desirable from both the standpoint of the Government's pecuniary interest and fair treatment of the contractor to permit him to purchase the equipment for such price. Furthermore, it will be very difficult in many instances to determine whether particular property is "real property" and, therefore, excluded from the term "durable property." For instance a gantry crane is considered real property in some States and in other States it is looked upon as personal property.

The restriction in section 15 of the bill on the use of Defense Plant Corporation facilities for the manufacture of articles or commodities for military use might have an adverse effect upon war production since such provision would appear to preclude the Government taking over and operating a plant owned by such Corporation even during the war period. It is, therefore, believed that the provisions of this section should be clarified.

The general scheme of administration provided for in the draft bill contained in the preliminary report of the Surplus War Property Subcommittee would not appear to be as desirable as that provided for in H. R. 5125 and S. 2045. Furthermore, a number of the specific provisions therein are, in the opinion of the Commission, objectionable.

It appears questionable whether the requirement for a consultation with advisory committees provided for in section 7 of the draft bill is desirable. Subsection (d) of section 11 might have the effect of precluding the sale of plants to purchasers who propose to dismantle such plants and use the equipment in other plants or sell such equipment. Subsection (f) of the same section will probably have the effect of impeding the disposal of surplus property.

Attention is specifically drawn to the provisions of section 12 of the draft bill which would prohibit the sale of Government-owned shipyards or their lease unless specifically approved by the Surplus War Property Administrator. At the present time some of the shipyards which are most efficient from a mechanical standpoint are owned by the Government. If the American shipbuilding industry is to compete with foreign shipbuilders who will probably be in a position to pay lower wage rates, it is essential that it have available to it the most efficient shipyards in the world. If disposition of Government-owned shipyards is effectively barred by legislation it will not be possible to make available to private shipbuilders such shipyards which are presently owned by the Government. It is, therefore, believed that section 12 of the bill as drafted will be detrimental to the American shipbuilding industry as a whole.

Under the terms of the draft bill the Surplus War Property Administrator might direct the disposition of merchant vessels and those capable of conversion to merchant use, and I believe that the statement enclosed in this letter points out the undesirability of this, and that there should be included in the bill a provision similar to that which has been suggested for inclusion in S. 2045. Finally it may be pointed out that section 12 will prohibit the disposition of any ship which cost the Government more than $5,000,000. This section would have the obviously undesirable effect of precluding the making available to private American ship operators of a few vessels constructed or acquired by the Commission which might be used by them as passenger ships in the post-war period.

The Merchant Marine Act, 1936, was enacted by the Congress after long periods of experience and prolonged study of the problems of the merchant marine. That law and that congressional policy have been proved by the test of experience in this war. It would be very unfortunate to enact legislation inconsistent with this basic policy.

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The Bureau of the Budget advises that there is no objection to the submission of the proposed report to the committee, with the understanding that no commitments should be made at this time as to the relationship to the program of the President as to these and other bills in the war surplus property field that are now before the Congress.

Sincerely yours,

E. S. LAND, *Chairman.*

STATEMENT BY VICE ADMIRAL EMORY S. LAND, CHAIRMAN, UNITED STATES MARITIME COMMISSION, RELATIVE TO H. R. 5125

This is in response to your request for comments on the bill, H. R. 5125, regarding the disposal of surplus Government property and plants.

In general, the bill appears to be highly satisfactory and designed to permit the disposal by the agencies best qualified therefor of surplus war property in accordance with the coordinated plan. Details of the general provisions of the bill have been discussed at length by the Surplus War Property Administrator and I feel that little can be added to his comments. I should, however, like to comment particularly on two aspects of the bill.

Subsection (a) of section 7 of the bill would apparently permit the Administrator to determine what property was surplus to the requirements and responsibility of any agency of the Government, including the War and Navy Departments and the Maritime Commission. Thus the Administrator rather than the various heads of departments would be in a position to determine what equipment and supplies should not be held for the purposes of national defense. Such provision would appear to be highly objectionable in that it might allow an agency of the Government which has no specialized knowledge of defense and shipping requirements to require the disposal, as surplus property, of ships, equipment, and supplies which might, in the opinion of the department authorized by the law to make provisions for the national defense or shipping, be needed for such purposes. It is probable that the course of the present war might have been different had the naval and merchant vessels which were laid up prior to the outbreak of the war in Europe not been available for use by our own Government and those of the other United Nations.

The importance of the proviso contained in subsection (a) of section 9 of the bill should be emphasized. The disposal of merchant shipping involves problems which differ radically from those in respect to ordinary consumer and producer articles. The chief point of difference is that the United States will probably own, after the war, a major portion of the world's supply of merchant shipping and that such shipping, if sold for foreign-flag operation, will, in many instances, compete directly with American-flag ships.

An important item of the expense of running a line of ships is interest on the capital invested in such ships. If adequate prices are to be obtained for the ships sold by the Maritime Commission in the postwar period some assurance will have to be given to the purchasers that the market will not be glutted later by the huge supply of shipping which the Government will own. No ship operator will be willing to pay, say, $1,500,000 for a ship if he thought there was a possibility that a competitor or a prospective competitor might purchase the same type of ship at a later date for a few hundred thousand dollars. This possibility will exist, however, unless a floor is put under the sales price of ships for American-flag operation.

The sale of ships for foreign-flag operation, unless made in accordance with a carefully considered plan, might result in serious injury to the American merchant marine, since the ships so sold can compete directly with American-flag ships engaged in foreign trade. Where a production tool is sold abroad, the products manufactured by the use of such tool can only compete in the American market with American-made products in those cases where it is possible to manufacture at a cost sufficiently low to enable the inclusion in the sales price of the product of tariff and transportation charges. A ship, however, sold for foreign-flag operation may compete in trade between American and foreign ports with American-flag ships on an equal footing. The sale of ships for foreign operation will, therefore, directly affect the competitive position of American-flag operators.

The foregoing are merely illustrative of some of the special problems of the disposition of merchant shipping which include not only those of a commercial character but also include questions which will have a considerable effect on our foreign relations. Such problems have been pointed out not for the purpose of recommending any specfic legislation but merely to emphasize the fact that the disposition of merchant ships does not fall into the category of the disposition of surplus property.

The Senate Commerce Committee and the House Merchant Marine and Fisheries Committee have, over a period of years, given careful study to the problem of merchant shipping and, as a result of legislation sponsored by such committees, the outbreak of the war found the United States with a nucleus of a merchant-marine and shipbuilding industry which proved of invaluable aid in the war effort. The House committee is at the present time considering a bill in respect to the sale of Government-owned merchant ships, H. R. 4486. Extensive hearings have been held on such bill at which representatives of industry, labor, and this Commission have been heard. In its present draft the bill establishes appropriate minimum prices for war service vessels with a view to avoiding a break-down of the policy established by Congress under the Merchant Marine Act, 1936. Whether or not such bill meets with the approval of Congress, it is my belief that the disposition of merchant shipping should be the subject of specific legislation enacted by Congress after consideration of the economic, defense, and international aspects of the problem.

DEPARTMENT OF LABOR,
Washington, August 14, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: In your letter of August 4, 1944, you requested a full report of the views of the Department of Labor on a substitute version of S. 2045, introduced by Senator Edwin C. Johnson, dealing with the disposition of surplus property, and a draft bill

included in the July 21, 1944, report of the Surplus Property Subcommittee of the Special Committee on Small Business. Since that date the staff director of your subcommittee indicated to a representative of the Department that in view of the current legislative situation you are interested primarily in my comments on S. 2065, a bill to establish a Surplus War Property Administration; to provide for the proper disposal of surplus war property; and for other purposes, which was introduced by Mr. Stewart on August 10, 1944, for your subcommittee. I shall therefore address my remarks principally to the provisions of that bill.

You will recall that on June 2, 1944, pursuant to the request in your letter of May 6, 1944, I transmitted to you materials and comments on the subject of the disposition of Government-owned surplus war property. The remarks in this report which have more specific reference to the provisions of S. 2065 should be considered as supplementing the material accompanying my letter of June 2, 1944.

The outstanding feature of the bill is the broad discretion vested in the Administrator. Although in theory the extraordinary scope of his authority appears to be at variance with the traditional organization of our Government so far as peacetime activities and affairs are concerned, I appreciate the fact that the magnitude of his responsibilities call for the vesting of unusual powers. In such a case, of course, it is most important that the closest surveillance of his administration of the act be maintained by the Congress and the President. I am pleased to observe, therefore, that sections 6 and 20 provide for such reports as will enable Congress and the President to be currently apprised of the administration of the act and its economic effects. Section 16, which requires scrutiny by the Attorney General of activities which may encourage monopoly and undue concentration of industry or commerce to restrain competition, is an additional safeguard.

The broad scope of authority vested in the Administrator also makes it most important that the congressional objectives and policies which should serve as a guide to his action be both comprehensive and specific. The objectives set forth in section 1 and the policies set forth in section 14 are well framed to meet this requirement. I am particularly interested in the provisions of section 1 (h) and (i). I take these provisions to mean that markets that are not free from monopoly control and prices that are not competitively determined do not deserve to be protected from the "dumping" of Government surpluses, and that such "dumping" may be used as a positive instrument for freeing markets from private monopolistic controls and for bringing about prices that would correspond to those that would prevail under competitive conditions. If this is the meaning behind the sections cited, I believe that the bill may provide a valuable supplement to the antitrust laws and render a major service in preserving an economy of free enterprise and initiative. It is widely recognized that prices that are monopolistically controlled and that result in a large volume of monopoly profits will, in the long run, not only stifle free enterprise and discourage small businesses, but will aggravate the oversavings problem and interfere with the most important post-war economic objective of the Nation; namely, the maintenance of high levels of employment. Would it not be desirable to implement this objective by more explicit provisions in the other sections of the bill, lest its importance be minimized in relation to other objectives?

In that connection, I endorse the judgment of the draftsman in placing the seeking of highest return for the Government (sec. 1 (l) last among the major objectives of the legislation.

I would suggest that consideration be given, if it has not already been given, to the question whether the Administration should be set up in corporate form similar to the Reconstruction Finance Corporation. Although I do not ordinarily endorse proposals of this character, I recognize that the job to be done is more like that usually undertaken by a business establishment than a conventional Government agency. The corporate form may provide a flexibility of administration that would make for efficiency and dispatch beyond the capacities of a regular Government agency which is usually not best adapted to the performance of the business functions involved in the large-scale disposition of Government surpluses. I do not urge this proposal, not being competent to express an expert opinion on the subject, but respectfully submit it for the consideration of the committee.

Section 12 (c) provides that if the estimated cost of handling, etc., exceeds the estimated proceeds of commercial sale, surplus may be donated to States, political subdivisions or tax-supported institutions. It has occurred to me that in view of the likelihood of a great shortage of Government storage space, and in view of the possibility of obsolescence, and the desirability of conserving the energies of the Administrator and his staff for more important matters, it might be wise to allow a small additional margin of discretion by permitting the Administrator to make a free donation of the surplus commodities, as provided, when the cost of handling, etc., would exceed 90 per cent rather than 100 percent of the estimated proceeds of a commercial sale. Section 12 (d) perhaps deserves some reconsideration or further elaboration. If State governments, etc., are sometimes to be allowed 50 percent discounts in the purchase of surplus property, it is desirable that Congress lay down for the guidance of the Administrator certain indications as to when or under what circumstances this privilege is to be extended and when withheld.

Much of the surplus subject to disposition will be in an incomplete or partially used state. It was the experience of Great Britain, after the last war, that the economic and dollar value of such property could be very considerably enhanced by the Government by cleaning, repacking, finishing, repairing, and otherwise processing its surpluses. Sections 3 (f) (i) and 22 (b) of the bill reveal that the draftsman of the bill has given some consideration to this policy. I suggest the desirability of a more explicit direction to the Administrator to take such action, when in his opinion it is economically justifiable, and of more explicit permission than is provided by 22 (b) to utilize funds already raised by the sale of other surplus property for this purpose.

I observe that the Surplus War Property Board, as established in section 2 (b), does not provide for membership of a representative of the Department of Labor. In view of the fact that one of the main objectives of the bill is to promote maximum production and employment, it would seem desirable to provide for membership of an agency a primary interest of which is to encourage high levels of employment. The agencies now proposed to be represented are, properly, those expected to be in possession of surplus property or directly involved in the process of disposal. None of these agencies, however, has general responsibilities in the field of employment, as such. I respectfully

suggest, therefore, inclusion of the Department of Labor in the membership of the Board.

Section 15 (a) (3) provides for sales on credit, or on time, in the discretion of an agency or the Administrator. Such sales are an extremely important method of making surpluses available to small businesses. The phrasing "in appropriate cases in the discretion of the Agency or the Administrator" suggests that credit would be extended only in exceptional cases. It would seem desirable to strengthen this provision by positively requiring the Director to arrange liberal credit terms especially for small businesses whenever the interests of the Government can be properly safeguarded against the possibility of willful default.

The authority given in section 15 (b) to the Smaller War Plants Corporation is very desirable and might well be made even broader. The Smaller War Plants Corporation might be an even more efficient guardian of the interests of small buyers if this provision required that it be notified in advance of the terms of all sales made within the United States, with certain suitable exceptions, and that it be empowered to request that sales upon terms it judged to be seriously discriminating against small business be delayed until its complaints could be registered with the Administrator.

Section 15 (d) allowing the Smaller War Plants Corporation to purchase surplus property for resale or other disposition to small business is an extremely important one, and it is to be hoped that despite the previously expressed opposition of the Defense Plants Corporation this provision will remain in the legislation. Sufficient funds should be placed at the disposal of the Smaller War Plants Corporation to enable it to intervene in this manner whenever an important service would thereby be rendered to small business. Should not provision be made for a use of part of the funds derived from the sale of surplus property by the Surplus War Property Administration to finance this function of the Smaller War Plants Corporation?

The aim of section 16 appears to be to prevent the disposal of surplus property from accentuating monopolistic tendencies. It would certainly be desirable to have the opinion of the Attorney General regarding the effects on competition of the disposal of large plants. It is not clear from the language of the provision, however, that the Administrator would be bound in any way by an adverse judgment of the Attorney General. If it is intended that he should be so bound, much more specific language should be included. If this is not intended it would be wise in the interest of clarity to indicate the area of discretion left to the Administrator. A further question relates to the criteria upon the basis of which judgment is to be made. In the language of the bill the Attorney General determines whether a proposed sale or transfer "will either violate the antitrust laws, or encourage monopoly or undue concentration of industry or commerce, or restrain competition substantially." While violation of the antitrust laws is a purely legal concept, "undue concentration," or "substantial restraint of competition" is to a marked degree an economic concept; it is questionable whether there is not need to set up new criteria for determining more precisely the content of these new norms.

While section 17, requiring buyers of Government plants to keep them in operation for 2 years, will be strongly resisted in some quarters, we feel that this is a most important provision. It gives a minimum

of assurance that this productive capacity will not be immediately suppressed. Perhaps the duration of this period should be extended beyond 2 years. Some thought might also be given to the possibility of devising effective administrative procedures to prevent the destruction of privately owned capacity for the purpose of maintaining prices above competitive levels by buyers of surplus war plants (or by companies financially integrated with them) without at the same time preventing the appropriate withdrawal of technologically obsolete capacity. Furthermore, consideration should be given to the question whether the objectives of the act would be accomplished by "substantial operation and production" under substandard working conditions, or under circumstances constituting a violation of labor standards established by Federal or State statutes. It would seem as appropriate for the Government in disposing of surplus plants as in entering into contracts for Government supplies under the Walsh-Healey Act to require operators of those plants to abide by conditions of operation in the public interest.

In view of the fact that the Attorney General has already expressed doubts as to the validity of some of the options to purchase or otherwise acquire Government-owned property contained in current contracts and leases, I consider the provisions in section 18 requiring his opinion as to the validity of such options, before their consummation, to be commendable.

The idea of building up a reserve of strategic metals and minerals, provided for in section 19, seems a desirable one on several counts. The reserve might, however, be put to important subsidiary use without impairing its effectiveness as a weapon of national defense, by giving permission, in the legislation, to make sales from the reserve, if prices within the first 5 years after the war become uneconomically high. (The appropriateness of prices would have to be judged by general criteria indicated in the legislation.) Compensating provisions could be made later so as to restore the losses from the reserve and to build it up to its original size. There may be some question, however, whether the strategically desirable amounts will correspond, in the case of each metal and mineral, with the size of the Government stock piles as they happen to exist at the date of the closing of the war.

Nowhere in sections 14 to 19 is explicit consideration given to the problem of the interim utilization of plants which for one reason or another cannot readily be sold. This situation, however, may be by no means uncommon. Thus, in the case of some of the largest war plants private purchasers might be lacking for several years in view of the difficulty of determining the long-run outlook of the demand for the product; or, it might be the case that sale to the only available purchasers might strengthen concentration and monopoly in the industry, and that the division of these plants into smaller units to be sold to smaller operators would involve a serious loss of efficiency. If employment and production are to be maintained under such circumstances it will probably be necessary to arrange for temporary leases to private operators under terms which will insure full operation. While the possibility of leasing is assumed in section 17, the bill does not contain any specific statement of the conditions under which plants shall be leased instead of sold in order to achieve its objectives. This comment applies also to section 20 in which it is proposed that disposition be effected generally pursuant to a series of plans to be

drawn up within 6 months and presented to Congress. While careful planning for the ultimate disposition of these properties is greatly to be desired, it is also important, wherever possible, to maintain high levels of operation in plants producing basic materials, and to move as rapidly as possible to the reconversion of plants which could be economically operated in the production of civilian goods. The Administrator should therefore be required to attempt to arrange such interim leases where operation would otherwise be discontinued. However, the importance, to the Government, of interim operation of plants under lease until a final disposition can be effected would appear to be so great as to justify preferential consideration in the final sale of plants to enterprises serving the public interest by undertaking to operate under lease in the transitional period.

I do not concur in the general philosophy underlying the Johnson amendment to S. 2045 (introduced August 3) which appears to be to place severe limitations on the capacity of the Administrator to sell surplus durable property during a 5-year period, without regard to the supply and demand situation then prevailing. It seems especially unfortunate to require that the sale of certain categories of surplus commodities must await specific authorization of Congress in each case. The requirement that dispositions be "made in a manner that will minimize the effect thereof on pre-war industries" would not only unduly complicate the task of the Administrator, but would set up a principle of dubious validity, namely, that the pre-war structure of industry should in all cases be protected against the impact of wartime changes.

In general the language of the Johnson amendment seems less clear and less carefully developed than the language of S. 2065.

Your letter of August 4 requested my comments on the report of your subcommittee. In my opinion, the subcommittee has made an extremely valuable contribution to thinking on the subject of surplus property disposal by its excellent analysis of the problems with which the Nation is faced. It is a matter of considerable gratification that many of its provisions are consistent with the materials I transmitted with my letter of June 2, 1944.

In view of the fact that the bill to which the above remarks are addressed was not available until August 10, 1944, and you requested this report by today, my comments are not, perhaps, as well organized as they would be had additional time been afforded for their preparation. The comments on sections 2 (b), 17 and the comments on the interim disposal of plants and the maintenance of employment in the transition period relate to matters within an area of direct concern to the Department of Labor. My comments on other sections may be taken as observations on matters concerning which the Department of Labor is interested but possesses no special competence.

In view of the urgent request for this report I have had no opportunity to determine from the Bureau of the Budget its relation to the program of the President.

Sincerely yours,

FRANCES PERKINS.

WAR DEPARTMENT,
Washington, D. C., August 12, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
United States Senate.

DEAR SENATOR REYNOLDS: At the request of Senator Murray, the War Department has considered the substitute draft of S. 2045, dated August 3, 1944. The War Department is opposed to the enactment of this bill for the reasons stated in its report on the original draft, and for the following additional reasons:

The principal change made by the substitute draft is contained in section 11, which provides in substance that durable property, with the exception of certain aircraft, shall not be disposed of until after the expiration of 5 years after the termination of the present war and that obsolete property and scrap shall be placed in a permanent stock pile and disposed of only as specifically authorized by Congress. This section further provides that termination inventories may be retained by contractors for manufacturing purposes but may not be sold by them.

The absolute prohibition against the sale of durable property and scrap is subject to the same objections which this Department interposed to the limited prohibition in the original draft, and to the further objection that the new draft would prevent the sale of such property to meet the requirements of war production. It is necessary for the War Department to sell durable property and scrap in substantial quantities from time to time to contractors for use in war production, and the proposed bill would have a seriously adverse effect on war procurement.

The bill omits a number of important provisions which are contained in the bill proposed by the Surplus War Property Administrator, and which should be included in any surplus property legislation. Among the most important of these provisions are (*a*) the recognition of the necessity for sales for war production and of scrap, waste and salvage and certain other classes of surplus property by the owning agencies; (*b*) a clear statement of the responsibility of disposal agencies for the storage and handling of surplus property; (*c*) a statement of the authority of military commanders in theaters of operation, and (*d*) a statement of the allowable methods of sale or other disposition.

If the prohibitions of section 11 were approved, there would seem to be little reason for establishing a surplus property agency, as there would be only a comparatively minor amount of property to be disposed of until the end of the 5-year period.

The War Department is unable to estimate the fiscal effect of the enactment of S. 2045.

The Bureau of the Budget advises that there is no objection to the submission of this report, with the understanding that no commitment is made at this time as to the relationship to the program of the President of each and every provision of this and other bills in the surplus property field that are now before Congress.

Sincerely yours,

JOHN J. MCCLOY,
Acting Secretary of War.

WAR DEPARTMENT,
Washington, D. C., August 12, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
United States Senate.

DEAR SENATOR REYNOLDS: At the request of Senator Murray, the War Department has examined the draft of bill printed in the report dated July 21, 1944, of the Surplus Property Subcommittee of the Special Committee to Study Problems of American Small Business. The War Department is opposed to the enactment of that bill for the following reasons:

The War Department is in favor of the enactment of a bill substantially in the form of that submitted to your committee by the Surplus War Property Administrator. That bill was drafted by a committee composed of representatives of the Administration and of the interested departments. It reflects the administrative experience of the departments and the Surplus War Property Administration with respect to the disposal of surplus property, and provides, within the framework of congressional policies, the necessary flexibility to assure the prompt and orderly disposition of surplus property.

Although the basic framework of the bill set out in the report is the same as that contained in the bill of the Surplus War Property Administration, the former contains a number of provisions which would be difficult to administer and would tend to hinder rather than promote the ultimate objectives.

Section 6 of the draft would vest in the Bureau of the Budget certain functions which should be exercised by the Surplus War Property Administrator. These functions include the establishment of inventory forms and practices, regulation of the reporting of sales and transfers, and the actual supervision of interagency transfers. These should be primary functions of the surplus property organization, and the injection of another agency would create overlapping and administrative confusion.

Section 8 of the draft would establish a series of priorities in the disposition of surplus property which, if literally enforced, would require that all sales be delayed while each agency on the list in turn determines what property it wishes to acquire. The establishment of rigid priorities with respect to property located throughout the country would be extremely difficult to administer and would greatly delay final disposition.

It is understood that the Attorney General has suggested to the committee a substitute for the provision of section 10 (b), which is similar to a provision in the bill proposed by the Surplus War Property Administrator. The substitute is agreeable to the War Department.

The provisions of subsections (c) and (d) of section 10, requiring certain restrictive covenants in contracts for the sale of plants, would probably depress prices and make sales more difficult, and would create obstacles to financing by prospective purchasers.

The requirement in section 10 (f) is too rigid as it would compel advance notice to Smaller War Plants Corporation of every sale without regard to the nature of the property to be sold, or the quantity or terms.

Section 11 would cast doubts upon the validity of existing contracts which were entered into by the War Department and its contractors in good faith. The section provides that no option will be honored "if such option is contrary to public policy or is invalid," but does not indicate by whom nor by what standards this determination will be made.

Section 12 would prevent all sales of plants of the types named until the enactment of subsequent legislation. Any delay in the disposition of plants suitable for the production of civilian goods would to that extent delay reemployment and it is believed that the provisions of the Surplus War Property Administrator's bill would adequately protect the interests of the Government and would result in earlier sales.

Section 13 of the draft makes no provision for deduction from the proceeds of sales of the cost of care, handling, and sale, for refunds where appropriate, nor for crediting the proceeds of sales by contractors against the contracts, all of which provisions are important to the efficient administration of property disposal.

The War Department is unable to estimate the fiscal effect of the enactment of the proposed bill.

The Bureau of the Budget advises that there is no objection to the submission of this report, with the understanding that no commitment is made at this time as to the relationship to the program of the President of each and every provision of this and other bills in the surplus property field that are now before Congress.

Sincerely yours,

JOHN J. MCCLOY,
Acting Secretary of War.

FEDERAL SECURITY AGENCY,
Washington, August 14, 1944.

Hon. JAMES E. MURRAY,
Chairman, Subcommittee on War Contracts,
Military Affairs Committee, United States Senate,
Washington, D. C.

DEAR MR. CHAIRMAN: The Federal Security Agency is deeply interested in your subcommittee's hearings on surplus war property. The Office of Education and the Public Health Service, as well as other constituent units of the Agency, operate programs which will be vitally affected by the methods of distributing such surpluses. We wrote you on this subject on May 16, 1944, with reference to S. 1718 and S. 1893.

In order to provide adequate educational opportunities and hospital facilities for the people of this country, it is essential that educational institutions and hospitals have the proper kind of equipment. Property such as 16-millimeter projectors, machine tools, desks, chairs, scientific equipment of all kinds, maps, globes, books, typewriters, calculators, other office machines, and vehicles suitable for transporting children are just a few examples of the kinds of equipment that educational institutions need in order to offer adequate educational opportunities. Medical supplies, drugs, hospital and medical equipment, and ambulances are but a few illustrations of similarly necessary hospital materials and equipment.

Apparently there will eventually be large quantities of surplus war property that can be used to distinct advantage by educational and

health institutions not only to continue existing programs and services, but to improve and expand them. Changes are taking place in education and hospital administration which will require even more equipment than such institutions had in the past, and of a far more varied range. That such surpluses can and should be made available to educational institutions and hospitals seems to be unquestioned. The major issue is the manner of distribution of these surpluses. Should surplus war property be made available to educational institutions and hospitals without cost, on a preferential price basis, or at market prices through ordinary commercial channels? It is my conviction that educational and health institutions should not have to compete with commercial interests for surplus war properties. Surplus war material should be made available to public educational institutions and hospitals before such property is put on the open market. Such a program would involve distributing some types of surpluses to public educational and health institutions without cost; other types of surpluses would be made available to public and tax-exempt educational institutions and hospitals on a priority basis, perhaps also at a price differential.

Educational institutions and hospitals should receive surplus property on the basis of actual and potential educational and health needs rather than on the basis of financial capacity. An equitable method must be devised to insure that small institutions can obtain the necessary equipment without having to compete with wealthier institutions. This is obviously necessary if the thousands of small schools and hospitals, especially in nonurban areas, are to get urgently needed supplies and equipment heretofore unavailable to the hundreds of thousands of persons whom they serve.

Surpluses should be distributed so as to provide adequate equipment but in such a manner as to prevent overstocking and needless acquisitions. Some control by State-wide authority must be established to insure equitable distribution.

Since public education is recognized as a State function, and public health primarily so, it is essential that the public authorities of the various States assist in the program for an orderly and equitable distribution of surpluses. No Federal agency should attempt to dispose of surplus war property directly to local schools or hospitals. Only by the utilization of State authorities can public educational institutions and hospitals, either large or small, rich or poor, acquire such surplus property as their needs demand.

Realizing the need for the full consideration of these problems, the United States Commissioner of Education has on several occasions called conferences of representatives of educational and other organizations to consider plans and procedures for the disposal of surplus properties. The findings and recommendations of one of these representative conferences are attached for your information.

We should appreciate the opportunity for fuller discussion of this vital problem at an appropriate occasion.

Because of the limited time available for the preparation of this report, no advice has been obtained from the Bureau of the Budget as to the relationship of these comments to the program of the President.

Sincerely yours,

PAUL V. MCNUTT, *Administrator.*

FEDERAL SECURITY AGENCY,
UNITED STATES OFFICE OF EDUCATION,
Washington, March 23, 1944.

To: Chief State school officers.
From: J. W. Studebaker, United States Commissioner of Education.
Subject: Disposal of Federal surplus properties.

As you no doubt learned through the newspapers, some definite steps are being taken in the development of plans for post-war adjustment acting upon recommendations contained in the Baruch report. One of these important steps was taken in the appointment of a Surplus Property Administrator, who is now beginning to think through the difficult problem of establishing policies and administrative procedures for the disposal of a large quantity of surplus equipment and other properties, the value of which has been estimated to amount to as much as $50,000,000,000.

I have discussed this problem in general with the Surplus Property Administrator. A committee of this office worked out some tentative proposals to be considered by him. Last Monday these proposals were considered and revised by a special conference. I am sending to you herewith a copy of the recommendations of the special conference bearing upon this very important subject which I again discussed with the Surplus Property Administrator 2 days ago. He has asked us to continue to advise with him until the policies are finally agreed upon. This we expect to do and we will be assisted by a special advisory committee representing educational organizations.

I suggest that you have the enclosed statement studied by members of your staff and that you send me any comments or suggestions which you think will be of value to us.

You will note that one of the recommendations of this special conference deals with the importance of establishing in each State an educational commission or board with responsibilities for handling this particular problem for the State in dealing with all types of educational agencies and institutions, thus consistently following the general recommendations made by the conference held here in Washington on March 3 and 4. It seems very clear to everyone concerned with this problem that unless some such special educational commission or board is established in the State to deal with the Federal Government on the one hand and with respective State boards of education, boards of higher education, and the State department of education on the other hand, it may be necessary for the Federal Government to undertake to deal directly with school systems and institutions and various educational agencies of the State independently of any central organization acting for the State as a whole.

J. W. STUDEBAKER,
Commissioner.

FEDERAL SECURITY AGENCY,
UNITED STATES OFFICE OF EDUCATION,
Washington, March 20, 1944.

DISPOSAL OF FEDERAL SURPLUS PROPERTIES

RECOMMENDATIONS RELATING TO PROPERTIES FOR EDUCATIONAL USES

Educational leaders throughout the Nation are aware of the fact that many problems and difficulties will be encountered in connection with the development of any fair and practical plan for disposing of Federal surplus property in any reasonable period of time. It is their desire to cooperate in every way possible with the Surplus Property Administrator and his staff in developing a sound program which will benefit the entire Nation to the maximum extent possible.

On March 3, 1944, a conference, comprised of representatives of approximately 30 leading national educational and lay organizations, held under the sponsorship of the United States Office of Education recommended that—

> All Federal legislation with reference to the distribution of surplus property to schools * * * should contain explicit provisions to guarantee that * * *. The distribution of surplus properties of the Federal Government give top priority to the needs of the educational and other social services, in order to secure the widest possible utilization of them in the public interest.
>
> We urge that the Congress of the United States include in its plans for the disposal of surplus Government-owned equipment, furniture, tools, and supplies provision for making available without cost to public schools and other public or State-chartered educational institutions any such materials which can be utilized for educational, training, and research purposes.
>
> We urge that the title to such equipment, furniture, tools, and supplies be vested by law in the legally constituted State educational agencies authorized to utilize or distribute these materials within the several States.

The present report has been prepared by a special conference at the United States Office of Education on March 20, 1944. The conference represented major aspects of education. This report, based upon information supplied by a committee of the United States Office of Education, includes a number of definite proposals for implementing these recommendations. The conference is of the opinion that, in connection with proposals and the formulation of policies affecting education, the following observations should have careful consideration:

1. As pointed out by the Baruch report, consideration will have to be given to the quick conversion of education back to a peacetime program, lest the war's interruption leave the future devoid of many of the educated and trained people essential to our continued progress;
2. Satisfactory educational and training programs cannot be carried on without adequate equipment. Many of the schools and educational institutions were not adequately equipped before the war and much of the present equipment will be practically worn out by the close of the war as a result of hard use and limited replacements necessitated by wartime conditions and training programs;
3. Limited financial resources will make it difficult, and in many cases impossible, for much needed equipment to be purchased by schools and educational institutions over any reasonable period of time;
4. The amount of surplus property needed for schools and educational institutions will constitute a relatively small proportion of the total value of surplus property available, yet if this small proportion is made available for educational use, it will benefit the Nation greatly by aiding materially in the development of adequate training programs, and, at the same time, will aid the Government in disposing of its surplus property beneficially without disrupting normal trade;
5. The property has already been purchased by the taxpayers of the Nation. To expect them to purchase it again by using State and local taxes would constitute an unfair and disadvantageous method of effecting a slight potential reduction in the total national debt; and
6. Policies relating to the disposal of surplus property for educational use have far-reaching implications involving the welfare and progress of the Nation and of the citizens in every State in the Nation. It is urged that all such proposed policies should have the careful consideration of qualified educational leaders. The special conference called by the Office of Education earnestly seeks an opportunity to cooperate fully in developing policies which will be of maximum benefit to the Nation and its educational institutions.

(1) *The educational organization.*

In the United States there are approximately 125,000 local school districts or administrative units, ranging from small one-teacher districts to large counties and cities, as well as several thousand privately controlled elementary and secondary schools. There are also approximately 600 publicly supported institutions of higher learning which are not administered by local units and more than 1,100 privately controlled higher institutions of various types. Obviously it would be extremely difficult, inefficient, and undesirable for the Federal Government to set up a system or plan for dealing directly with local school units or individual institutions in disposing of Federal surplus property.

Moreover, it is neither practicable nor desirable for the Federal Government to undertake to determine the division of surplus property among elementary and secondary schools, vocational schools, and institutions of higher learning in a State. Such determination would put the Federal Government in the indefensible position of deciding matters which properly belong under State policy and which the States are better equipped to handle.

Education is a function of the States; the States are, therefore, the logical units with which the Federal Government should deal in matters of this sort. A few States now have one board or commission responsible for all phases of education, although some States have separate boards for elementary and secondary schools, for vocational education, and in several instances even for each institution of higher learning.

Each State can and should designate or create one educational board, agency, or commission which will represent all aspects of education in relationships with the Federal Government involving matters of this sort. This educational board, agency, or commission would not be expected to replace any existing educational board but would merely represent the State in dealing with the Federal Government in all matters similar to the matter of disposing of surplus property.

At the Federal level the United States Office of Education has been established to collect and disseminate information, to cooperate with the States in working out solutions to educational problems, and "otherwise to promote the cause of education throughout the country." The United States Office of Education, with its background of

many years of experience in dealing with educational problems, should, therefore, be designated to cooperate with the State educational agency of each State in working out solutions to its problems involving the acquisition of surplus property for education and also to cooperate with other Federal agencies in developing plans and procedures for satisfactory and effective distribution of such property for educational use in each State. No other agency in the Federal Government is as well qualified as the United States Office of Education to aid in determining educational needs or procedures in allocating surplus property for educational use.

(2) Financial policy and priorities in distribution of surplus property for educational use.

One of the major problems in the acquisition of surplus property by educational institutions is that of financing educational institutions operated on fixed budgets, either on an annual or biennial basis, which do not permit the establishing of reserves for future purchases. In general, school financing is on a year-to-year basis and needs must be determined in advance. Statutory provisions in most States prohibit educational institutions from making loans—except for short-term periods—within the fiscal year. The incurring of a debt, to be paid from future budgets (except for debt service for bond issues), is not permitted in most States. In order for education throughout the United States to participate to the greatest degree in and obtain maximum benefit from the disposal of surplus property, due consideration must be given to the question of whether or not surplus property which can be used to distinct advantage for educational purposes should be donated or sold—even at low prices—to educational institutions.

It seems apparent that there will be available surplus property, the title for which is vested in the Federal Government and which is now being used by State or local educational institutions. (Examples of such property are school buildings and the appurtenances thereto built in war areas under the Lanham Act.) Likewise, there probably will be available surplus property now being used by various Federal agencies for educational purposes. (An example of such property is the equipment and materials being used in Army and Navy schools.) Property of these two types should be made available with a high priority to educational institutions where needed.

There will also be available property not now being used for educational purposes but which could be used to distinct advantage by educational institutions. (Examples of this type of property would be machine tools, trucks adaptable for use as school busses, typewriters, refrigerators, stoves, 16-mm. projectors, etc.) Property of this type should be made available to other interests as well as education.

The following priorities and the methods of allocation are recommended for the disposal of surplus property:

1. Allocation, without cost, to public educational institutions of—

(*a*) Property now being used by State or local educational institutions but with title vested in the Federal Government; and

(*b*) Property now being used by Federal agencies for educational purposes;

2. Allocation, at a determined price level, between Federal Government agencies;

3. Allocation, for sale to State and local tax-supported organizations, including public educational institutions and non-profit, tax-exempt educational institutions. (Surplus property made available to educational institutions should be at a price level not higher, and preferably less, than the price level used for transfers between Federal agencies);

4. Allocation, without cost, of surpluses that cannot or should not be offered for sale, for any reason, to State and local tax-supported organizations, including educational institutions; and

5. Allocation for other uses.

Surplus property made available for purchase by State and local units.—In order to assure that the various tax-supported agencies of State and local governments have a reasonable opportunity to obtain the surplus property they need and can use effectively, the following procedures are recommended:

1. That surplus property available for State and local tax-supported agencies and institutions be tentatively apportioned on an objective and equitable plan to each State; and

2. That for educational use in each State there be tentatively allocated that part of the total allocation to the State which is represented by the ratio between the current expense for education during some year, such as 1940, and the total current expense for all State and local governmental purposes, or on the basis of some similar equitable and objective plan to be approved by the United States Commissioner of Education and the Surplux Property Administrator.

It is recommended that surplus property not be made available for State and local tax-supported agencies and institutions in terms of "first come, first served" or of any other similar plan that might involve "grab bag" tendencies or result in unfair distribution. If, for any reason, it should not be possible to make a tentative allocation to States and to public educational agencies within each State in accordance with a plan such as recommended above, then, and only then, consideration should be given to a plan for allotting tentatively a certain percentage of the total dollar value of surplus property for educational use, with the United States Office of Education being given the responsibility of apportioning tentatively to States, on the basis of some objective and equitable formula, their respective proportionate shares of the total.

Surplus property made available without cost to public educational institutions.—In order to assure that the public educational institutions in the various States have a reasonable opportunity to obtain surplus property made available without cost and which they need and can use effectively, it is recommended that such property be certified to the United States Commissioner of Education by the Surplus Property Administrator, to be apportioned to the respective State educational agencies in accordance with need and on the basis of an objective and equitable plan.

Each of the various over-all State educational agencies should be responsible, in cooperation with existing State educational boards or agencies, for the formulation of any objective and equitable plan for the reallocation of the surplus property apportioned to it to the various public educational institutions within the State.

(3) *Administrative plan.*

The Federal Government, as indicated above, should deal only with the States as units insofar as basic tentative allocations are concerned. If, within a reasonable prescribed time, any States have not applied for their full quota, the unused balance should be tentatively reapportioned among the remaining States which need and can use additional property.

The following proposals pertaining to allocations of surplus property to the States for educational use are recommended for guidance:

Each State, if it has not already done so, should be required to designate or create one educational board, agency, or commission which will be the coordinating agency responsible for—

(*a*) Adopting and prescribing an equitable plan for making and to make tentative allocations to existing State educational boards for local school units and institutions of higher learning;

(*b*) Proposing criteria, in keeping with prescribed regulations, to be used by existing State educational boards in approving applications from local school units and institutions of higher learning for surplus property within the limits of the tentative allocation;

(*c*) Accepting applications approved by the existing State educational boards and certifying statements concerning educational needs so that surplus property may be obtained by the local units and institutions of higher learning as needed;

(*d*) Certifying to the appropriate State agency (or, for surplus property which is made available, without cost, for educational use, certifying to the United States Commissioner of Education) any surplus not needed for educational use or any additional allotment that is needed for educational use in the State; and

(*e*) Keeping the United States Office of Education informed regarding progress and consulting with it regarding problems and needs.

(4) *Quantitative data.*

In order for educational institutions, in general, to acquire surplus property by purchase, it will be necessary for them to know in sufficient time the kind of such property available and the price thereof in order to include the necessary funds in their annual or biennial budgets. It is recommended that the Surplus Property Administrator make available such data to the United States Office of Education and to the State educational board, agency, or commission in each State as soon as possible.

It is recommended that the various State commissions for special Federal-State educational programs recommended in (1) above be advised immediately of the need for determining in advance, insofar as it is possible, the needs of educational institutions for such surplus property as may be available. These State commissions should also prepare plans and procedures for means of financing, if necessary, the purchase of such property.

Members of the special conference presenting these recommendations are—

B. C. Ahrens, executive secretary, National Educational Buyers Association, New York, N. Y.

L. H. Dennis, executive secretary, American Vocational Association, Inc., Washington, D. C.

Paul E. Elicker, executive secretary, National Association of Secondary School Principals, National Education Association, Washington, D. C.

J. H. Goldthorpe, research associate, American Council on Education, Washington, D. C.

H. V. Holloway, State superintendent of public instruction, Dover, Del.

John W. Lewis, assistant city superintendent of schools, Baltimore, Md.

C. C. MacQuigg, dean of engineering, Ohio State University, Columbus, Ohio.

R. B. Marson, director, legislative and Federal relationship division, National Education Association, Washington, D. C.

J. A. McCarthy, State director of vocational education, New Jersey, and president, American Vocational Association, Trenton, N. J.

Eva G. Pinkston, executive secretary, department of elementary School principals, National Education Association, Washington, D. C.

WAR MANPOWER COMMISSION,
Washington, D. C., August 14, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: Reference is made to your request for my views with respect to the amendment introduced by Senator Johnson, of Colorado, to the bill, S. 2045, to provide for the disposal of surplus Government property and plants and with respect to the draft bill included, without subcommittee commitment, in the July 21, 1944, report of the Surplus Property Subcommittee of the Special Committee on Small Business.

The substitute version of S. 2045, introduced by Senator Edwin C. Johnson, and the draft bill set forth in the July 21 report of the Surplus Property Subcommittee of the Special Committee on Small Business, both relate to the policies and procedures which shall govern the handling and disposition of surplus war properties of the Federal Government.

The activities and responsibilities of the War Manpower Commission and its constituent agencies are only indirectly affected by such matters; our interest is to assure that the legislation and its administration will make available maximum employment opportunities. Both proposed measures include, among the basic objectives of the legislation, the promotion of maximum employment opportunities. I assume that in the administration of the legislation, due weight will be given to facilitating the transfer of workers from war to civilian employments, and to providing maximum employment opportunities for all available workers.

I have no further comments to submit with respect to the proposed measures.

Sincerely,

PAUL V. MCNUTT, *Chairman.*

UNITED STATES CIVIL SERVICE COMMISSION,
Washington, D. C., July 18, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
United States Senate.

DEAR SENATOR REYNOLDS: The Commission's attention has been called to the bill, S. 2045, which provides for the disposal of surplus Government property and plants.

Section 3 (b) of this bill authorizes the Surplus Property Administrator to "employ and fix the compensation of necessary personnel without regard to the provisions of the civil-service laws and the Classification Act of 1923 * * *."

It is the opinion of this Commission that any proposal to exempt positions from the civil-service requirements does not constitute desirable legislation, particularly in view of the present manpower shortage and the high cost to the taxpayer because of several agencies bidding against each other in their efforts to secure qualified employees.

The Commission accordingly urges, in the interests of efficiency and good administration, that the words "without regard to" appearing in line 18 on page 4 be stricken out, and the words "in accordance with" substituted therefor.

The Bureau of the Budget advises there is no objection to the submission of this report.

By direction of the Commission:

Very sincerely,

HARRY B. MITCHELL, *President.*

WAR PRODUCTION BOARD,
Washington, D. C., August 14, 1944.

Hon. JAMES E. MURRAY,
United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: This is in reply to your letter to me of August 4, 1944, enclosing copies of two legislative proposals on surplus property, now being considered by your War Contracts Subcommittee: (1) The substitute version of S. 2045 introduced by Senator Edwin C. Johnson; (2) the draft bill included, without subcommittee comment, in the July 21, 1944, Report of the Surplus Property Subcommittee of the Special Committee on Small Business.

As a member of the Surplus War Property Policy Board of the Surplus War Property Administration, I have already expressed my approval of the bill submitted to a number of congressional committees by Mr. Will H. Clayton, the War Surplus Property Administrator. I believe that this bill has been introduced, with a few changes, in the House of Representatives by the Honorable William L. Colmer, and is known as H. R. 5125.

Senator Johnson has been informed that I approve of Mr. Clayton's evaluation of the original version of S. 2045, and I find that consideration of the present version of S. 2045 does not change my opinion on that matter. I have also considered with interest the draft bill included in your subcommittee report of July 21, 1944. I have come to the conclusion that I prefer the bill submitted by Mr. Clayton, and

introduced by Mr. Colmer. Permit me to express my appreciation of your courtesy in sending me these bills for comment.

Because of the urgent nature of your request, however, it has not been possible to ascertain from the Bureau of the Budget whether either of these proposed bills is in accord with the program of the President.

Whatever legislation the Congress may adopt on this matter, there will probably be specific surplus property disposal issues affecting war production as long as the war continues. I shall be very glad to discuss with your committee any of these specific questions, if you feel that my opinion, and the experience of the staff of the War Production Board, would be of assistance to you.

Sincerely yours,

DONALD M. NELSON.

FEDERAL WORKS AGENCY,
PUBLIC BUILDINGS ADMINISTRATION,
Washington, April 24, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: When I had the privilege of appearing before your committee on April 11, you were kind enough to suggest that I formulate some proposed amendments to bill S. 1730 and bill S. 1823. This I am happy to do, confining my observations largely to the features of those two bills that pertain to surplus property. In S. 1730 I would suggest the following:

Section 102 (b), after the comma at the end of line 12, page 3, add "whose basic rates of pay exceed $4,600 per annum".

Section 105 (b), after the word "agencies", line 22, page 4, add "and shall utilize such agencies for the performance of all functions which are of sorts that are identical, similar or closely related to functions regularly performed by such agencies".

Section 201 (b), line 23, page 7, before the word "property" add "war".

Section 203, line 24, page 8, change the word "may" to "shall". Also, page 9, line 1, after the word "Government" add "war".

Section 205 (a), lines 17, 19, and 24, on page 10, introduce the word "war" before "property" in each of these lines.

Section 205 (b), line 4, page 11, after the word "surplus" add "war". Also, at the end of the paragraph add ": *Provided*, That so long as the Director shall have in his custody or under his control any surplus war property upon which, prior to his assumption of custody or control, taxes were paid to State or local governments or units thereof, he is authorized and directed to determine upon the amounts of and to make corresponding payments in lieu of taxes to such State and local governments or units thereof".

Section 206 (d), change to read: "Surplus property, so far as practicable, shall be distributed through regular distribution channels upon terms consistent with established practice of the appropriate industry".

Section 206 (j), lines 8 and 13, on page 13, add the word "war" after "surplus".

Section 401 (a), line 21, page 34, add the word "war" before "property" and in subparagraph (b), line 14, page 35, add "surplus war" before the word "property".

Section 401 (d), delete part of the paragraph beginning with the word "may", in line 15, and change to read "shall authorize and finance such expansions and adaptations therein as are necessary for the performance of the work".

Section 407 (m), line 16, page 46, change the term "surplus property" to "surplus war property", and after the word "property" at the end of this line add "acquired or utilized for the prosecution of the war". In this same subparagraph, in line 22, page 46, after the word "agency" add "acquired for the prosecution of the war".

With respect to S. 1823, I would suggest the following:

Section 102 (b) in line 8, page 3, after the word "employees" add "whose basic rates of pay exceed $4,600 per annum".

Section 404, change line 17, page 13, to read "shall utilize the services of existing Government agencies for the performance of all functions which are of sorts that are identical, similar or closely related to functions regularly performed by such agencies". At the end of title IV, page 19, add a new section designated as section 413, as follows: "So long as surplus war property upon which taxes, or the equivalent thereof, shall have been paid to States or local governments or units thereof, shall remain in the custody or under the control of a Government agency or of the Administrator, the Administrator is authorized and directed to determine upon the amounts of and to cause corresponding payments in lieu of taxes to be made to the appropriate State and local governments or units thereof".

I make no comment with respect to title V.

Sincerely yours,

W. E. REYNOLDS,
Commissioner of Public Buildings.

THE SECRETARY OF THE INTERIOR,
Washington, D. C., August 10, 1944.

CARTER MANASCO,
Chairman, Committee on Expenditures in the Executive Departments,
House of Representatives, Washington, D. C.

MY DEAR MR. MANASCO: You have requested a statement of views with respect to the provisions of H. R. 5125, a bill providing for the disposal of surplus Government real and personal property.

There is attached for your consideration copies of a statement outlining this Department's views on the subject matter of this bill. Two major recommendations which are believed vital to a well-conceived surplus property law are contained in this statement.

1. The disposal of surplus real property is a matter which should be assigned to the Department of the Interior because of its long experience with, and many facilities for, the handling of such property. The present plan of constituting the Reconstruction Finance Corporation as the principal disposal agent in the real property field is of doubtful

expediency, when considered in the light of its relative unfamiliarity with many of the problems involved.

2. The bill does not provide in all respects practical procedures for the utilization within the Government of surplus property, whether real or personal. In particular, the decidedly uneconomical provisions for reimbursement in interagency transfers should be eliminated.

With this statement there is submitted a draft of proposed legislation pertaining to the disposition of surplus Government real property that sets forth the major principles which this Department believes should be embodied in any bill dealing with the disposition of surplus real property on a comprehensive scale. This draft, brought to your attention by Representative Randolph at the hearings on August 9, might be enacted as separate legislation or it might be included in the present bill as a separate title. If the committee does not desire to deal with the subject of real property in either of these methods, then inclusion in the bill of the two amendments set forth in the text of the statement is urged. The second of these amendments, you will note, extends to personal as well as real property.

In view of the understanding that your committee wishes an immediate presentation of views on H. R. 5125, it has not been possible to submit the attached statement to the Bureau of the Budget. Accordingly, no commitment can be made concerning the relationship of the views expressed therein to the program of the President.

Sincerely yours,

MICHAEL W. STRAUS,
Acting Secretary of the Interior.

STATEMENT OF THE SECRETARY OF THE INTERIOR ON H. R. 5125, A BILL TO PROVIDE FOR THE DISPOSAL OF SURPLUS GOVERNMENT PROPERTY AND PLANTS, AND FOR OTHER PURPOSES

Certain provisions of this bill have distinct merit. For instance, in section 14 there are specific provisions relating to the conditions under which surplus Government-owned plants for the production of synthetic rubber or aluminum which originally cost the Government $5,000,000 or more shall be transferred. There is much to be said in favor of great caution in the disposition of plants representing such a huge investment. The provisions of section 14 might well be extended to power plants, magnesium plants, aircraft plants, powder plants and many others, and the amount of the limitation reduced to $1,000,000. During the last World War the Government constructed a smokeless powder plant at Nashville, Tenn., called the Old Hickory plant. The total cost to the Government was $85,000,000. The entire works, torn down and sold piecemeal, brought into the Government a net return of $4,000,000. In the interest of meeting present or potential Government requirements for power, munitions, and other needs, some of these plants should not be sold at all, but should be kept in stand-by condition or integrated with existing Government operations carried on pursuant to such statutes as those relating to the important Government power developments in the Pacific Northwest, the Southwest, and the Tennessee Valley.

Section 10 (a) of the bill provides in effect that before any property not usable by the agency having custody thereof is disposed of to nongovernmental transferees it must first be determined whether the

property is not needed by some other Government agency or for some other Government use. I believe this is a principle which will in the long run be greatly to the pecuniary advantage of the Government. Certainly property should not be labeled surplus until it no longer has a Government use.

Section 12, in outlining the manner of disposition, contains some very salutary provisions relating to interagency transfers, sales to public institutions, veterans and small farmers, businessmen, home owners and former owners. It also inveighs against speculators and monopolies. With the thought underlying these provisions I am in entire accord. However, I am decidedly of the opinion that they should be clarified and strengthened in several important respects. I am equally firmly convinced that the bill, as now drafted, does not give due regard to the fundamental economic, legal, and practical differences which exist between personal property, on the one hand, and real property, including war plants, on the other.

The problems of post-war utilization and disposition of Governmennt owned war property have been given thorough consideration by the Department of the Interior. Attention has been principally focused on questions relating to real property, since the Department is the principal land administration agency of the Government and has participated actively in gearing the use of Federal lands to the war program. In addition to land, the Department is vitally concerned with the ultimate disposal which is to be made of plants and factories constructed upon public lands or operated in conjunction with power projects developed and managed under congressional direction by this Department. Again, much of the war housing which has been erected and must be moved after the present hostilities have ceased can be used in rural areas in facilitating the construction and settlement of projects for reclamation of agricultural lands which the Depart- is or may be authorized to undertake by the Congress.

The results of this study have been incorporated in a proposed bill, which I understand has been presented for the consideration of your committee by Representative Randolph. A copy of this proposed bill is attached. The principal aspects of the surplus real property problem dealt with in that bill, but not contained in H. R. 5125, are as follows:

(1) *Type of property covered:* Except for public lands upon which permanent structures have been constructed, only acquired lands need be covered by legislation. It is well established public land policy that public lands which have been temporarily reserved for military use will be returned to the public domain for administration under the public land laws when their military use is at an end. There is thus no disposal problem with regard to some 13,000,000 acres of public lands already turned over to other war agencies by this Department for war uses.

(2) *Central inventory of lands:* An efficient property disposition system cannot be organized without the inclusion of some provision for establishing a single central inventory of all Government lands. The General Land Office in this Department now has records of all public lands; its activities should be expanded to include lands acquired by purchase, donation, exchange, or in other ways.

(3) *Definition of surplus property:* In general, it would seem advisable to consider as surplus only operating property of an agency which

is no longer needed by the agency in the performance of its functions. Property specifically set aside by Congress for a particular purpose, such as a national park, should not be subject to disposal by administrative action as surplus property. Neither should similar property set aside for the purpose of conserving the property, or other special types of property which are not held for operating purposes, be susceptible to determination as surplus.

(4) Surplus property administrative agency: It would appear sensible to vest the actual day by day administration of a real property program in an established Government agency which has had extensive experience in the administration of Federal realty and which is now charged by law with administrative jurisdiction over large and varied holdings of such realty. In the development of broad policies to govern disposal, this agency might well be required to consult with other Government agencies which have a substantial interest in property subject to disposal.

(5) Taxation of surplus property: The exemption of property from local taxation because of its Government acquisition and ownership has created some considerable local problems. If property of that type is determined to be surplus but is not to be returned immediately to private ownership, it may be equitable in certain cases to permit its taxation or to provide for Federal payments on such property in lieu of taxation.

These five points are, in my opinion, vitally important aspects of the surplus real property problem that are totally overlooked by H. R. 5125 as now written. My specific recommendations with respect to the legislative provisions that should be enacted on these points, as well as on the matters incident to the orderly disposal of surplus real property, are contained in the attached draft of legislation. They could be incorporated into this bill by redrafting the bill into two titles, title I placing resposibility for the administration of surplus personal property in the Surplus Property Administration, and title II placing responsibility for the administration of surplus real property in the Department of the Interior. In doing this, minor changes in the present text of H. R. 5125 would be necessary, in order to limit its application to personal property and to provide for the application in connection with title II of such special war plant provisions as the committee may approve. Nor would I object to the application, in the interest of coordinated programing of real and personal surplus property disposition, of such over-all controls by the Surplus War Property Administrator or otherwise, as may be deemed advisable.

In the event the committee does not desire to establish at this time a comprehensive legislative framework for the administration of surplus real property, I recommend that subsection (a) of section 9 of the present bill be amended by the insertion of the additional language underlined in the following suggested revision of that subsection:

"SEC. 9 (a) The Administrator, by regulations, shall designate one or more Government agencies to act as disposal agencies under this Act and shall prescribe the class or classes of surplus *personal* property to be handled by each such agency: *Provided, however,* That the United States Maritime Commission shall be the sole disposal agency for merchant vessels or vessels capable of conversion to merchant use, and that such vessels shall be disposed of in accordance with the provisions of the Merchant Marine Act, 1936, as amended, and other laws authorizing the

sale of such vessels: *Provided further, That the Department of the Interior shall be the sole disposal agency for all lands, together with any fixtures and improvements thereon acquired by the United States or by any corporation wholly owned by the United States. To aid in the administration of Government real property the General Land Office in the Department of the Interior is authorized to establish and maintain a central inventory of all Government-owned lands.*

The Department of the Interior has long been the prime agent of the Government for the administration, management, and disposal of real estate. For the execution of its present duties, this Department has created and maintained a staff of experts thoroughly conversant with values of grazing, forest, recreation, refuge, and settlement lands. Through its activities relating to power and mineral development the Department is also well versed in the intricacies of the problems pertinent to industrial-plant disposition. No agency of the Government is better equipped or prepared to undertake the task of disposing of surplus realty than the Department of the Interior. I am not prepared to concede the wisdom of delegating the administration of surplus lands to another agency which has had neither as extensive nor as varied experience in this field as has had this Department and which has not been closely associated with the development of the basic governmental conservation policies that have been established by the Congress in recent years for the administration of the Federal landed estate.

It is true, of course, that under H. R. 5125 as it now stands, the Surplus Property Administrator might designate this Department as the disposal agency for Government-acquired real property. However, I have no guide to the future other than the experience of the past. The regulations hitherto promulgated by the present Surplus Property Administrator, appointed under Executive Order No. 9425, clearly indicate that it is his intention to appoint the Reconstruction Finance Corporation as disposal agent for most types of Government surplus real property.

In this connection I wish to point out that, whereas section 5 (a) of this bill contemplates continuous surveillance by the Congress of the operations of the so-called disposal agencies, the Reconstruction Finance Corporation is a corporation over which the Congress has little or no opportunities for active surveillance. The recent report of the Joint Committee on Reduction of Nonessential Government Expenditures relating to Government corporations (S. Doc. No. 227) points out that the idea of the Government corporation has as one of its seeming purposes the avoidance of the ordinary restraints placed upon old-line Government establishments, such as are the General Land Office and the other offices of this Department that would be concerned with surplus property disposition. The report states:

> Originally the corporate device was employed as a means of solving the complications of the Federal system and, although this may be expeditious with respect to some activities which have been undertaken by the Federal Government, it appears now that every new business venture is thought of in terms of such avoidance. The inevitable result of this growth has been the impairment of control by Congress.

Frankly, it is impossible to reconcile active surveillance of operations by the Congress with the turning over of surplus property to a disposal agency whose very set-up is such as to remove it as far as possible from congressional control.

The proposed legislation itself is precedent for my recommendation that the Congress specifically allocate responsibility for real property

disposition to an agency which has had long and wide experience in the specialized problems incident to the handling of this type of property. If special provision is made that the Maritime Commission shall be the sole disposal agency for merchant vessels, no valid reason exists why the Department of the Interior should not be specifically designated to dispose of surplus real estate.

One of the most important principles which should be adopted in any bill relating to the disposition of surplus property, whether real or personal, is that such property should not be disposed of outside of the Government unless it is not needed by any Government agency. I am happy to see in H. R. 5125 provisions directed to this end. Undoubtedly, there will be considerable surplus equipment, materials, and supplies which can be put to use by agencies other than those now holding such property. For example, there will be types of motor vehicles now in military use which practically any bureau in this Department could utilize; there will be vessels which the Fish and Wildlife Service or the Office of Indian Affairs or the governments of the Territories and possessions could employ in the conduct of their activities; there will likely be photographic and airplane gear instruments which the Geological Survey might employ. Government property acquisitions for nonwar needs have been held to the barest of minimums for a long time. Just as in the case of private business, one of the first requisites of sound Government administration in the post-war period will be to replace obsolete or war-lost equipment, and to catch up deferred maintenance. It would be wasteful in the extreme for the Government to rid itself of property now held, and then discover that this very property, or items of a similar character, must be repurchased in order to meet essential programs dictated by the Congress.

The provisions, however, of section 10 (b) of this bill which would require intergovernmental transfers of property to be offset by corresponding transfers of funds, except where transfer without reimbursement is otherwise authorized by law, seem to me to present merely a case of robbing Peter to pay Paul. The tendency of these provisions would be to necessitate, in cases where funds were not immediately available for reimbursement, the sale on a buyer's market of property which in a few short years or even months would, in the course of carrying out the ordinary authorized activities of the Government, have to be replaced through purchases made on what by then may well have become a seller's market. I am convinced that the pecuniary losses sustained by the Government in this way would exceed any immediate economies which these provisions might otherwise seem to promise. Moreover, unreimbursed transfers would not result in what might be considered as in any sense an unauthorized augmentation of the regular appropriations made to the various agencies acquiring property by transfer, since the availability of surplus property for transfer would, of course, be a factor which could, and should, be considered by the Congress in determining the amount of the appropriations to be made to the agencies concerned. The bill already makes ample provision for the maintenance of records and the submission of reports whereby the Congress, and its appropriating committees, can at all times keep currently informed concerning the nature and amounts of all intergovernmental transfers of surplus property.

Reduced to essentials, the whole reimbursement concept rests on the fallacious assumption that the property belongs to the particular establishment vested with its custody, whereas in truth it belongs to the United States of America. For this reason, as I have pointed out previously, no item of property can be properly classed as really surplus until it has been determined that it cannot advantageously be used in carrying out any authorized function of the Government.

A general reimbursement requirement in connection with intergovernmental transfers would be particularly inconsistent with sound property administration practices in the case of real property. With respect to the public domain, which even today exceeds greatly in extent all the so-called "acquired" lands that might be affected by H. R. 5125, it has always been the policy of the Congress to permit the President, or the Secretary of the Interior acting as his representative, to set aside tracts for virtually any public purpose, and to transfer jurisdiction over these tracts from one agency to another without transfer of funds. The instances in which similar authority might be appropriately exercised in connection with war-acquired lands are numerous.

Thus, within the Columbia Basin project of the Bureau of Reclamation there are at present some 15,000 acres of excellent irrigable land which have been acquired by the Army for a military airport. When military use of this land ceases, it should obviously be turned over to the Bureau of Reclamation for disposal under the Federal reclamation laws as small owner-operated farms. By so doing the Government would insure the beneficial use of the property as well as the ultimate recovery of its current value. Again, the Muroc bombing range in Kern, San Bernardino, and Los Angeles Counties, Calif., consisting of 157,000 acres, contains acquired lands which are eminently suited for administration as a part of California grazing district No. 1 under the Taylor Grazing Act. Similarly, the Wendover bombing range in Tooele and Box Elder Counties, Utah, contains some 14,000 acres of acquired lands scattered through about 1,490,000 acres of grazing district and unappropriated public lands, with which these acquired lands should, in the main, be integrated if they are to serve their highest ends. In both of these instances retention of the acquired lands and their administration under the Taylor Grazing Act, or other pertinent laws, would result in a substantial income to the Government from lands of relatively low sales value.

In line with the foregoing comments I strongly urge that, even if no other change be made in H. R. 5125, subsection (b) of section 10 should, at least, be revised so as to read substantially as follows:

> 10 (b) The disposal agency responsible for any such property shall transfer it to the agency acquiring it without reimbursement or transfer of funds: *Provided, however*, That a full report of all such transfers of property, including an estimate of the fair value of the property transferred, shall be submitted to the Congress in connection with the next succeeding estimate of appropriations for the acquiring agency.

I want to say one thing more. It does not make sense to my homespun mind that the bill should contain pious declarations in favor of veterans, small businessmen, and small farmers without definite restrictions being inserted therein to protect these people against the superior economic power of great wealth.

Thus, I believe it to be essential that in considering disposal of Government-owned industrial plants the main emphasis should be on

continued production under conditions insuring independent competitive business enterprise. Leasing would be a good tool to this end in the case of many industrial plants, whether for producing synthetic rubber and aluminum or for producing magnesium, power, aircraft, munitions, or other commodities susceptible of monopolistic control. In using this tool, which I note is provided for in H. R. 5125, the following general principles should, I believe, be controlling:

1. Whenever any of these Government-owned plants are closed down for want of war orders they should immediately be advertised for competitive bidding on a conditional lease basis. In these situations the advantage of leasing over selling is that the use of the plants thus becomes open to competent aggressive managements that might not be able to borrow the capital necessary to purchase the plants but could pay a very adequate rental sufficient to meet all carrying charges including depreciation.
2. Whenever a lessee fails to operate the plant at a given rate of production over a given period of time the lease should be canceled and the facilities immediately reopened for competitive bidding.
3. The lessees should have no idle plant or plants of the same type on their hands, and new bidders should be independent of any former lessee who kept the plant idle. This would prevent monopolies from shutting down their present plant simply for the sake of procuring newer facilities, or from closing a plant in case of a strike and transferring their orders to another plant somewhere else but under the same control—either directly or by dummy corporations.

Above all it is my sincere hope that the unhappy experiences of the past will not be repeated in the future. My memory harkens back to sales of bedsheets which cost the Government $1 at 20 cents a piece; paraffin paper costing 50 cents a pound, for 5 cents a pound; new towels—more than a million of them—costing 54 cents, for 3 cents each; and other incidents of the speculators' paradise that followed World War I. In some instances these same sheets and towels were then immediately repurchased by the Government at the original cost. The inspired looters of the past have thought out ways and means to tap the Treasury which have been both original and astounding. A well-conceived surplus property law, for the making of which I have here put forward some suggestions, should go a long way toward preventing the separation of the Government from its property without due return.

SUMMARY OF PROPOSED SURPLUS PROPERTY BILL

In general, this bill would establish a procedure for the administration and disposal of lands acquired by the Government, together with all plants, buildings, and other improvements thereon, which are no longer needed for Government purposes. Public lands would be included only so far as they are the sites of industrial plants or similar structures. In order to aid in the administration of Government property, the bill provides for the establishment and maintenance of a central inventory of Government-owned lands in the General Land Office.

Surplus property would be determined, administered, and disposed of as follows: Heads of agencies are to declare to the Secretary of the Interior all real property no longer needed by the agencies. If the President concurs in their determination or otherwise finds that

property is not needed by an agency, he shall transfer such "declared property" to the Secretary, who shall classify it and then dispose of it to any Government agency needing and requesting the property. If no agency wants it, the Secretary may still retain the property in Government ownership if he decides on the basis of certain factors that such retention is desirable.

If the property is not retained, it becomes "surplus property" and, after appraisal, may be sold by the Secretary at public sale or by negotiation. Former owners are to be given preference in sales or leases, secondly, public agencies and cooperatives. But for a 15-year period, as to surplus property classified as suitable for agricultural, residential, or small business purposes, veterans of the present war are to be given preference in acquisition over all other purchasers.

To advise the Secretary on general policies as to the disposal of surplus property, a surplus property advisory board is created, to be composed of representatives of the Departments of Agriculture, Commerce, Interior, War, Navy, and Treasury, and six public members.

Pending a study by the Secretary to determine the effect on local taxing agencies of the retention in Government ownership of declared property, the Secretary is authorized for a 5-year period to enter into in lieu of tax payment agreements with such agencies.

Finally, the bill provides for the protection of reimbursable funds out of which surplus property was originally acquired, reports to Congress, and the continuance of the exercise of space assignment functions in public buildings by the Commissioner of Public Buildings under the act of August 27, 1935 (49 Stat. 885).

A BILL To establish a central inventory of federally owned real property, to provide for the orderly disposition of surplus real property owned by the United States, and to provide for the disposition of such property for the benefit of veterans so far as practicable

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it is hereby declared essential to efficient land utilization and land management and the protection of lands held for conservation purposes that a central inventory be kept of all lands owned by the United States and that a comprehensive procedure be established for the orderly disposition of surplus real property owned by the United States. It is further declared that wherever such surplus property may be utilized for the purpose of assisting returning veterans to reestablish themselves in civilian life, it is in the national interest that they be granted preferences with respect to the acquisition of such property in order that this purpose may be furthered.

SEC. 2. As used in this Act, unless the context otherwise requires:

(a) "Property" includes land, together with any fixtures and improvements thereon, located outside of the District of Columbia acquired by the United States or by any corporation wholly owned by the United States, but does not include the public domain, or lands withdrawn or reserved from the public domain, except such portions thereof as may constitute the site or part of the site of an industrial plant, factory, or similar structure.

(b) "Veteran" means any person who during the present war was entitled to the benefits afforded by the Soldiers' and Sailors' Civil Relief Act of 1940, as now or hereafter amended, and who has been honorably discharged or otherwise honorably separated from the service entitling him to such benefits. "Veteran" does not include any person who was entitled to such benefits solely by reason of being ordered to report for induction under the Selective Training and Service Act of 1940, as amended.

(c) "Agency" means any department, agency, or independent establishment of the Federal Government or any corporation wholly owned by the United States.

(d) "Secretary" means the Secretary of the Interior.

SEC. 3 (a). The Secretary shall establish and maintain in the General Land Office a central inventory of all lands now owned and held or hereafter acquired by the United States for its use, including lands in its territories and possessions, and, in his discretion, may include in such inventory any other lands, or any interests in lands, now held or hereafter acquired by the United States. The inventory shall also show the disposal which may be made of any of the lands or interests included therein.

(b) Any agency authorized to acquire, accept, or hold title to or an interest in land in the name of the United States or of such agency, or which has federallly owned land, other than public domain land, under its jurisdiction or control, shall submit to the Secretary for recordation in the General Land Office the document by which the title to or an interest in the lands covered by this section was acquired by an agency of the United States, or disposed of subsequent to the effective date of this Act, together with such other data, including a plat of the tract of land involved, as may be required. The General Land Office, after making a copy for its records by such methods as it deems feasible, shall return the original documents, except any plat that may have been required, to the agency submitting them with an appropriate notation thereon showing that they have been recorded by the General Land Office.

(c) All provisions of law relating to the custody, use, and effect of records of the General Land Office, including the act of August 24, 1912 (37 Stat. 497, 5 U. S. C., secs. 488–492), shall apply to records made under the authority of this section. Authenticated copies of any such record certified as being a true copy of the document from which such record was made shall be admissible in evidence equally with the original of such document.

SEC. 4 (a) It shall be the duty of the head of every agency to make an annual survey of property which is under the jurisdiction of the agency to determine if any part of the property is not needed by the agency for the efficient performance of its functions. If he finds that any such property is unnecessary for such purpose, he shall report his findings to the Secretary, together with a description of the property which is not needed by the agency, for transmission to the President. If the President concurs in the finding, he shall thereupon transfer jurisdiction over such property to the Secretary who shall administer the property in accordance with the provisions of this Act. The President shall also transfer to the Secretary jurisdiction over any property not reported to him but which he finds to be in excess of the needs of the agency having jurisdiction over the property. Property transferred to the Secretary under this section is hereinafter referred to as "declared property."

(b) This section shall not apply to any property which has been specifically set aside by acts of Congress for specific purposes, or which is held by a credit agency in the course of its lending operations, or which is held by any agency or person under subdivision (b) of section 5 of the Trading with the Enemy Act of October 6, 1917 (40 Stat. 411), as amended.

SEC. 5. As soon as practicable after the transfer of declared property to the Secretary is effected, he shall determine the uses to which the property may be put and shall classify such property according to its proper use. He may revise the classification from time to time.

SEC. 6. In disposing of declared property, the Secretary shall first ascertain if the property is needed by any agency for the performance of its functions and, if so, shall upon the request of such agency transfer the property to the agency, specifying in the order of transfer the use to which the property shall be devoted. The property shall thereupon become subject to all provisions of law relating to other property held by that agency which is devoted to a similar use. If the property is not requested by any agency, it shall nevertheless be retained in Government ownership if the Secretary determines, on the basis of the prospective needs of the Government for the property, the character of the property, its location, and other pertinent factors, that such retention is desirable. The Secretary may provide for the use, management, and operation of such property, by lease or otherwise, in such manner as will, in his judgment, properly conserve it while it is retained in Government ownership.

SEC. 7 (a). Property which it has been determined should not be retained in Government ownership shall be denominated "surplus property" and shall be subject to disposition in accordance with the provisions of this Act. Subject to other requirements of this section being met, such property shall so far as possible be disposed of to persons who can most efficiently utilize the property, and it shall be disposed of in such manner as will tend to prevent land speculation or absentee ownership and tenancy in land and will promote the national welfare. Preference and priority in the acquisition of surplus property shall be given wherever possible to States, counties, municipalities, other public bodies, and cooperatives. The determination of the Secretary in these respects shall be final.

(b) Before disposing of any surplus property, the Secretary shall appraise the property and determine its fair market value. The property may then be sold at public sale or by negotiated sale, whichever method is determined by the Secretary to be most in the public interest. If the property is to be sold at public sale, the Secretary shall give public notice thereof at least ninety days prior to the date of sale. He shall sell the property upon such terms as he deems most in the public interest to the highest bidder who equals or exceeds the appraised value of the property and to whom a sale would be in accordance with the principles outlined in subsection (a). If the property is to be sold by negotiation, the Secretary shall, upon the conclusion of the negotiations, give public notice for ninety days of the terms of the proposed sale. The notice shall state that during such period, protests against the sale may be made to the Secretary. At the end of the period the Secretary may approve or disapprove of the sale.

(c) Pending any sale, or if a sale cannot be made on satisfactory terms, the Secretary may provide for the use, management, and operation of the property, by lease or otherwise, in such manner as will, in his judgment, properly conserve it.

(d) Notwithstanding the provisions of subsections (a) and (b) of this section, if the property to be sold or leased was acquired by the United States from a private owner and is to be sold or leased in the identical tract and in substantially unchanged condition as when acquired from such owner, the property shall be resold or leased to the former owner if within a reasonable time to be prescribed by the Secretary, he matches the best price offered for the property. In offering such property for disposition, the Secretary shall give such notice thereof to the former owner as he determines to be practicable.

(e) In disposing of any property in any way under this section or section 8, the Secretary may effect the conveyance thereof and shall reserve to the United States all oil, gas, and other mineral deposits in the property; such reservation of minerals shall be expressly stated in the instrument of conveyance.

SEC. 8 (a). For a period of fifteen years following the effective date of this Act, whenever any surplus property classified by the Secretary as suitable for agricultural, residential, or small business purposes is to be disposed of, veterans shall be granted a preference in the purchase of such property over nonveterans, including former owners of such property. The Secretary shall determine the units in which the property is to be disposed of, giving due consideration to the character of the property and the economic use to which it is to be put. He shall then determine the fair market value of each unit. Before any such property is offered for sale under section 7, either by public sale or by negotiated sale, any veteran may apply for the purchase of any or all units offered for sale at the price established by the Secretary. The Secretary shall prescribe the time within which application shall be made and shall give such notice thereof as he deems reasonable to enable veterans to exercise their rights under this section. The Secretary shall select the purchaser of each unit by lot from among the applicants for the unit. If any applicant is selected as the purchaser of more than one unit, he shall elect which one to take, whereupon the right to purchase the remaining units shall go to the remaining applicants in the order in which their names were drawn. No veteran may apply for the purchase of any property under the provisions of this section if he has previously exercised his preference right and has purchased property pursuant thereto. Sales to veterans under this section shall be upon such terms as the Secretary may prescribe. If no sale of property to a veteran is effected under this section, the property shall be disposed of as provided in section 7.

(b) If any property covered by this section is not sold but is to be leased as provided in subsection (c) of section 7, the Secretary shall give veterans who are able to comply with the terms of the lease preference over nonveterans, including former owners of such property.

(c) During the period that this section is in effect, the preference right to purchase accorded to each veteran may, if not previously exercised, be exercised upon his death by his spouse or by his direct lineal heirs, to whomever it may pass by descent or devise under the law of the State of domicile of the deceased veteran. The same preference right shall also be extended to the spouse or direct lineal heirs of any person who, except for his death while in active service, would qualify as a veteran under the provisions of this Act. No preference right may be assigned or exercised by power of attorney or through a power to select except as may be permitted by regulations prescribed by the Secretary, in order to prevent the loss of such right by the holder thereof.

SEC. 9. In order to advise the Secretary on general policy as to the disposal of surplus property, there is hereby created a Surplus Property Advisory Board. The Board shall consist of one representative each from the Department of Agriculture, Department of Commerce, Department of the Interior, Department of the Navy, Department of the Treasury, and Department of War, to be designated by the head of the respective agency, and six members appointed by the Secretary from the public. The latter shall serve without compensation but shall receive a per diem of $10 when actually engaged in the performance of their duties under this section, and shall be allowed necessary traveling expenses. The Secretary shall consult with the Board, and the Board shall advise him, on general policies to govern the disposal of surplus property.

SEC. 10 (a). Upon the sale of any surplus property under this Act, the property may be taxed to the purchaser by the State or any local public taxing unit in which the property is located upon the purchaser's taking possession thereof even though title thereto has not yet passed to the purchaser. The United States shall not be liable in any way for any tax which may be imposed on the property, and in the event all interests in the property revert to the United States prior to the passage of title, any lien on such property for unpaid taxes shall be extinguished.

(b) In the case of surplus property which is leased or declared property which the Secretary determines should be retained in Government ownership, the Secretary may enter into agreements with States or local public taxing units in which such property is located for payments by the United States to such States or taxing units for public services rendered by them to the property. The agreements shall not provide for payments beyond the end of the 5-year period following the effective date of this Act and shall take into consideration any other compensation or other benefits derived from such property by such States or public taxing units. The Secretary shall make a study of declared property retained in Government ownership to ascertain what effect its retention in Government ownership will have upon the revenue structures of the State and public taxing units in which the property is located. Before the termination of the 5-year period referred to, he shall recommend to the Congress appropriate legislation for making contributions to such States and taxing units in order to compensate them for tax losses which are occasioned by the Federal ownership of the property and for which no other compensation is made.

SEC. 11. Where property disposed of under this Act was acquired by the use of funds appropriated from the general fund of the Treasury and such appropriated funds are not by law reimbursable from assessment, tax, or other revenue, all proceeds derived from the disposition of such property under this Act shall be deposited and covered into the Treasury as miscellaneous receipts. Where property disposed of under this Act was acquired by the use of funds other than those appropriated from the general fund of the Treasury or by the use of funds appropriated from the general fund of the Treasury which are by law reimbursable from assessment, tax, or other revenue, an amount equal to the expenses incurred in respect of such disposition shall be deducted from the proceeds, if any, and shall be deposited and covered into the Treasury as miscellaneous receipts, and the balance of the proceeds, if any, credited to the reimbursable fund or appropriation.

SEC. 12. The Secretary shall, not later than the January 1 following the end of each fiscal year, submit to the Congress a report on his activities under the provisions of this Act for that fiscal year. The report shall show by States the total area of land under the jurisdiction of each agency, the total area acquired and disposed of during the fiscal year, and other related data, together with a statement of the authority under which such acquisitions and disposals were made, and, in the case of transfers of property from one agency to another under this Act, the utilization to be made of the property by the receiving agency. Any other law to the contrary notwithstanding, no agency need submit a report to the Congress with respect to any lands or interests therein included in the inventory authorized by section 2 of this Act after the first report shall have been made under this section. The reports made hereunder shall also contain any recommendations for legislation or other action which the Secretary believes will facilitate the operation of this Act.

SEC. 13. With respect to declared property, such as office buildings, determined by the Secretary to be suitable for occupancy by agencies, the Commissioner of Public Buildings shall exercise all functions conferred upon him by the Act of August 27, 1935 (49 Stat. 885), as amended, with respect to the assignment and reassignment of space in, and the repair, alteration, operation, and maintenance of such property, including the collection of rent therefrom. So much of the remainder of that Act as is inconsistent with the provisions of this Act, and all other Acts or parts of Acts inconsistent with the provisions of this Act, are hereby repealed.

SEC. 14. The Secretary may perform such acts and adopt such rules and regulations as are reasonably necessary for the effectuation of the provisions of this Act.

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Columbia University
NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination," and in Parts 1 to 13 entitled "Mobilization and Demobilization Problems")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1478, S. 1609, S. 1680, S. 1775, S. 1794, S. 1803, S. 1815, S. 2045, S. 2065

PART 14

UTILIZATION AND DISPOSITION OF SURPLUS WAR PROPERTY

AUGUST 14, 1944

Printed for the use of the Committee on Military Affairs

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

MONDAY, AUGUST 14, 1944

UNITED STATES SENATE,
WAR CONTRACTS SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to call, in room 357, Senate Office Building, at 10:30 a. m., Senator James E. Murray (chairman) presiding.

Present: Senators Murray, Johnson, and Taft.

Also present: Bertram M. Gross and Sigmund Timberg.

Senator MURRAY. Gentlemen, the hearing will come to order. This is a hearing on problems of surplus war property disposal. The first witness this morning is L. H. Dennis, executive secretary, the American Vocational Association, Inc., Washington, D. C. Is Mr. Dennis here?

STATEMENT OF L. H. DENNIS, EXECUTIVE SECRETARY, THE AMERICAN VOCATIONAL ASSOCIATION, INC., WASHINGTON, D. C.

Senator MURRAY. Mr. Dennis, for the record you may state your name and whom you represent.

Mr. DENNIS. L. H. Dennis, executive secretary, the American Vocational Association, Inc.

The American Vocational Association is an organization representing the vocational education leadership, directors, supervisors, coordinators, vocational counselors, and vocational teachers, throughout the Nation. The American Vocational Association is an organization of approximately 25,000 of these individuals.

By this time it is a pretty well-known fact that the public vocational schools of this country have made a significant wartime contribution through the training of more than 7,000,000 individuals for war production industries and in preinduction training. More than 5,000,000 persons were vocationally trained for war production industries.

The vocational war production training program was possible on short notice, in fact almost overnight, on a 24-hour round-the-clock training basis, because these public vocational schools had already been in operation many years training workers in many occupational fields.

When the defense, and later the war emergencies, were suddenly thrust upon us a nation, these public vocational schools immediately made their training personnel and equipment available for vocational war production training purposes. Some of the equipment of these public vocational schools has now been in use in this war emergency training program for more than 4 years. Much of it has been in constant use 16 or 24 hours per day, 7 days per week.

It is quite evident, therefore, to all, that this vocational training equipment, so willingly and so completely used in the national interest, should be replenished from national resources. Furthermore, it will be an excellent national investment to provide these public vocational schools with adequate modern equipment to enable them to function again equally efficiently in a reconversion vocational training program for returning veterans and for workers demobilized from war industries.

In addition to this, we shall need well-equipped vocational schools to assist youth in the post-war era when undoubtedly we shall experience a period when the occupational adjustments of youth will be more difficult than now. Furthermore, in this new period the entrance age into employment for youth will undoubtedly be much later than now. Good, well-functioning, well-equipped public vocational schools, experienced in the occupational adjustment programs for youth, will render an increasingly important service in the economic and social stability of youth in this more difficult period for youth.

The American Vocational Association, therefore, suggests and urges that surplus Government-owned property suitable for use in the public vocational schools of this country, should be made available to these public vocational schools by the Federal Government at very little expense to the schools. The American Vocational Association is of the opinion that it would be a wise procedure for the Federal Government to distribute such surplus equipment to public vocational schools on a gift or loan basis.

If S. 2045 is to be enacted into law, the American Vocational Association suggests that section (d) at the top of page 10 be revised to read as follows:

This is our definite suggestion this morning. We suggest that section (d) at the top of page 10 be revised to read as follows——

Senator TAFT. Do I understand that is S. 2065?

Mr. DENNIS. S. 2045. If some other bill instead of S. 2045 is enacted into law with respect to the disposal of surplus Government-owned property, then we would like to suggest that a similar provision be incorporated into that act. This is the revision which we suggest [reading]:

(d) Property suitable for and to be used in tax-supported and tax-exempt public vocational training institutions may be transferred without cost to State boards for vocational education for use in such tax-supported or tax-exempt institutions exempt from taxes under section 101 (6) of the Internal Revenue Code in such manner and to such extent as the Administrator deems advisable. In order that this equipment may be transferred and placed in readiness to be of service in the reconversion training period, such property may be transferred to such public vocational training schools before and after the termination of the war, at such times as the Administrator may deem advisable.

In conclusion, may I state that the purpose of the last part of that suggested phraseology is for the purpose of making it possible for these schools to have this equipment for the emergency that will immediately follow the cancelation of war contracts, the demobilization of workers from war production industries who will then immediately, without delay, desire, in many cases, the reconversion training program.

Senator JOHNSON. Mr. Dennis, do you have a copy of that proposed provision that I may have?

Mr. DENNIS. Yes, sir. You mean what I just suggested for the minutes?

Senator JOHNSON. Yes.

Mr. DENNIS. Yes, sir; I have it in my manuscript case.

Senator TAFT. Mr. Dennis, it seems to me you have a rather narrow field of strictly vocational educational institutions. I have requested that it should apply to these high schools and colleges that are not strictly within the State vocational educational system. I do not see why the principle should not be extended to a broader program than you have in your amendment.

Mr. DENNIS. We have no objection to that. We are here speaking for the vocational schools, and probably we should limit ourselves to speaking for the group with which we have had experience.

Senator TAFT. Will you be satisfied with the broader program?

Mr. DENNIS. We assume that some similar groups will make a similar presentation. We do not insist on the exact wording of this.

Senator MURRAY. Are you familiar with the recommendations made by the National Educational Association?

Mr. DENNIS. Yes, sir.

Senator MURRAY. Do you approve of their suggestions?

Mr. DENNIS. Provided that such changes as they propose to be incorporated should provide for the vocational educational schools, yes, sir. We have limited our testimony to our particular field.

Senator MURRAY. Thank you very much.

Dwight W. Winkelman.

Mr. Winkelman sent us a telegram saying that it is impossible for him to attend the meeting here this morning, and that the Associated General Contractors will present a brief.

Mr. KIRK. It has been presented to your office.

Senator MURRAY. It will be incorporated in the record when it is presented by the Associated General Contractors.

Senator JOHNSON. Will that be in this record?

Senator MURRAY. Yes, to follow the witness who just left the stand.

Senator TAFT. Is that simply the letter?

Mr. KIRK. Yes.

Senator TAFT. I have a copy of the letter, which I will hand to the reporter.

(The letter referred to is as follows:)

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA, INC.,
Washington, D. C., August 12, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Committee on Military Affairs, United States Senate,

DEAR SENATOR MURRAY: We are informed that your subcommittee now has under consideration Senate bill 2065, introduced by Senators Stewart, Murray, and Taft, on August 10, and also Senate bill 2045, introduced by Senator Johnson on August 3; both of the bills dealing with the disposal of surplus war property.

The construction industry will be vitally affected by the disposal of such property. Therefore, it has, during the past year, given thorough study to this problem.

This association, representing general construction contractors who have performed more than 80 percent of the defense and war construction of the Nation, has arrived at definite conclusions on this subject and expressed them in a resolution adopted by its governing and advisory boards, composed of members from all parts of the Nation, in session at the Drake Hotel in Chicago on May 29 and 30, 1944.

The language of this resolution refers specifically to surplus construction equipment. However, all the board's discussions and deliberations concerning the resolution included other property and materials used by the construction industry; hence, this resolution expresses the opinion of the general construction contractors with reference to the subject now before your committee.

This resolution is as follows:

"Whereas it is the opinion of the members of this board that the manner of distribution of surplus equipment is of vital interest to the construction industry and the national economy; Now, therefore, be it

"*Resolved*, That the following principles be recommended for adoption by the Federal Government in the disposal of surplus construction equipments at the end of the war;

"A. That dumping be avoided.

"B. That equipment be appraised before being offered for sale and that none be distributed on a gratis basis within the continental United States, and that no priority or preferential price be extended to State governments or their political subdivisions.

"C. That equipment be offered for sale only to manufacturers, recognized dealers and distributors.

"D. That distribution be made by the Government agencies owning or having control of the equipment."

With reference to S. 2065, it should be noted that all of the principles enunciated by this association support that principle expressed in the bill in section 15 (a) insisting that the interests of small business enterprise be protected and safeguarded.

We call your attention, however, to the fact that some of the other provisions of the bill S. 2065, particularly those giving priority and preferential prices to governmental agencies and ta States and political subdivisions thereof, are quite inconsistant with section 15 (a), to which we refer above. This is particularly true of paragraphs (c) and (d) of section 12, and to the provisions of these paragraphs, we are vigorously opposed.

For the information of the committee, this association has for 25 years represented the largest segment of the construction industry nationally. It now represents a membership of over 3,100 of the principal general construction contractors of the United States. There are affiliated with 90 State and local chapters directly serving these contractors, both on wartime and peacetime construction, in all parts of the United States.

We should like to call the attention of the committee to the fact that the construction industry will have to be depended upon to provide a large portion of the reemployment which must immediately follow the cessation of hostilities. Therefore, the plans which the business concerns in the industry are making for a quick resumption of private employment in industry should not be jeopardized by threats of government competition which would probably result from gratis distribution of, or an establishment of priority or preferential prices for, construction equipment and materials to State governments or their local subdivisions.

Very sincerely,

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA, INC.
By J. D. MARSHALL, *Assistant Managing Director.*

Senator MURRAY. Mr. F. Eugene Ackerman, executive director, National Council of Wool Growers, New York City, N. Y.

Senator JOHNSON. He was here this morning but he had to leave. He may be back later.

Senator MURRAY. We will pass Mr. Ackerman for the present.

Mr. P. F. Bauer, manager of industrial department, Allis-Chalmers Manufacturing Co., Milwaukee, Wis.

STATEMENT OF P. F. BAUER, MEMBER OF THE COMMITTEE ON DISPOSAL OF WAR SURPLUSES OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

Senator MURRAY. You may proceed, Mr. Bauer.

Mr. BAUER. I am P. F. Bauer, of the Allis-Chalmers Manufacturing Co., Milwaukee, representing the National Association of Manufacturers, committee on disposal of surplus property.

It is very encouraging to notice that a number of bills are up for consideration at this time dealing with this most important problem that has ever confronted this Nation, and the committee has decided to direct their remarks to a specific bill, and that we state here our general position, and if it pleases the Senators, I shall read our statement.

Senator MURRAY. You may proceed.

Mr. BAUER. The National Association of Manufacturers welcomes this opportunity to present to the War Contracts Subcommittee the views of the association on disposal of war surpluses.

Objectives: The National Association of Manufacturers disposal committee applauds the objectives defined in the various surplus property disposal bills introduced in Congress which look toward the orderly disposal of surplus property.

We earnestly hope that surpluses will be disposed of in a manner to promote production and employment, and to avoid dislocation of the domestic economy. The impact of disposal policies upon trade and industry will strongly influence the speed with which we can reconvert to a high level of peacetime production and employment.

Organization: The National Association of Manufacturers committee prefers the establishment of an independent nonpartisan surplus war property commission. This commission should be given authority to dispose of all surplus property acquired in connection with the national defense and war efforts and not needed for purposes of national defense. The committee recommends that the commission be composed of seven members nominated by the President and approved by the Senate, each member to have had at least 5 years industrial or merchandising executive experience. The commission would then be responsible, and report directly, to Congress.

Considering the need for practical and realistic policies for the disposal of war surpluses, the committee voices the opinion that such policies can best be devised by businessmen who from experience could gage accurately what effects anticipated policies and procedure would have upon industry and, therefore, upon unemployment.

The N. A. M. committee proposes that the commission function as a policy-making body, leaving to its own appointed administrator the responsibility of executing policy and carrying out procedures which had been decided upon by the commission. Executive responsibility would therefore be centered in the agent of the commission who would carry out its realistic policies.

Industry advisory groups: The committee feels that maximum employment will not be created unless plants and equipment not needed for military purposes are used in private production at the earliest possible date, but we recognize that indiscriminate "dumpings" will lead to serious disruptions in the economy, affecting adversely both production and employment. These two objectives—prompt disposal and avoidance of "dumping"—must therefore be reconciled. They can be reconciled only through legislation that provides close consultation with industry advisory groups. No class of surplus property should be disposed of without securing the guidance of an advisory committee representing the industries most directly affected.

Small and large business: The committee recommends policies which would result in opportunity for access to surpluses by both small and

large businesses. Quantities of surplus equipment and upplies released for sale should, therefore, as far as practicable, be in lots which will permit participation by small as well as large manufacturers, whoesalers, and retailers. Any price differentials between large and small lots should be limited to actual differences in cost of handling and distribution.

Established trade channels: The committee recommends the disposal of surplus property through established trade channels. Property damaged or worn beyond economical repair should be offered first to the original manufacturer for rebuilding, salvage, or disposal.

Disposal abroad: The committee recommends that surpluses held outside the United States should be disposed of abroad as far as possible. In the disposition of such goods, consideration should be given to economic conditions in particular markets and to the interests and rights of American enterprise in the resumption of distribution through normal trade channels in the respective countries. Such goods sold or disposed of abroad should be prevented from subsequent entry into the United States, its Territories or possessions. The committee feels that such a restriction is necessary to prevent speculators abroad from returning surplus property to this country to undersell the domestic market.

Plant disposal and clearance: The committee makes the following recommendations relative to plant disposal and clearance:

1. Legislation should direct the surplus-disposal agency to eliminate as rapidly as feasible all interests acquired by the Government during the defense or war effort in equipment, facilities, and other property situated in private plants after they are no longer required. This should be done to facilitate prompt and efficient reconversion of industrial plants.

2. In the event of failure by the Government to dispose of plants and facilities to private industry, the Government should refrain from operating such plants in competition with private industry.

3. As far as feasible private manufacturers should be utilized for all military production. Arsenals and navy yards should be maintained in accordance with the best technique and developments but any increase in said arsenals and navy yards over pre-war years should not be out of proportion to the increase in the post-war armed forces.

In conclusion, the committee urges Congress to speed passage of legislation for the orderly disposal of war surpluses. It is felt that Congress provided the country with an exceptionally good law in the Contract Settlement Act. Legislation for disposal of surplus property is the next step, and just as vital in speeding the reconversion of industry to the production of peacetime goods and the creation of peacetime jobs.

Senator TAFT. The chief controversial thing involved is the idea of the whole thing being operated by the Commission itself, appointed by the President, which is to be an independent, nonpartisan Surplus War Property Commission.

How do you get that? Do you think that is within the power of Congress, or how? That is a departure, certainly, from every administrative practice that I know of. As far as this is strictly an executive job, how can you hand it to a commission that is free from politics?

Mr. BAUER. That problem, of course, you notice, we have placed in your honorable hands. The commission is to be established by the President, and approved by the Senate, and I am sure the National Association of Manufacturers would rest upon your decisions.

Senator TAFT. My only feeling is, and our experience in the war certainly is that you get much better action if you have a single executive to do the job. He could create advisory boards, and such sort of thing, but even if you have a board, the usual practice of a board is to give the chairman full authority to act.

Mr. BAUER. What you say is perhaps correct, Senator, but I am reminded of what Newton D. Baker said at the close of the last war, when they were confronted with the most colossal task in the country, and at that time they only had $6,000,000,000 of surplus to dispose of. At that time, the complete authority was placed in the hands of not a minor executive but the Chief Executive, and the record stands as to the results. It was thought in the committee of the N. A. M. that by the establishment of a commission, made up of the best minds that we can find on the subject, that you will have committee judgment on important issues, acknowledging, of course, that Congress will control.

I have in mind now the pending legislation in which it is proposed that Congress should control the major issues. We acknowledge that.

Senator TAFT. This is something that must be done quickly. I cannot see the wisdom of getting the executive job of getting rid of this property done under a board.

Senator JOHNSON. Senator Taft, if you will permit me to interrupt, not only should the job be done quickly but it should be done well and properly.

Senator TAFT. I rather like the board you are proposing as against some of these bills that have a board of officers from all of the different departments, but I do not see the wisdom of giving that board the supreme authority to run the show. They just make an administrative officer under them that carries out what they may decide to do.

Senator MURRAY. Mr. Bauer, you and the National Manufacturers Association approved the contract termination legislation which Congress recently passed?

Mr. BAUER. Yes.

Senator MURRAY. You are familiar with the fact that that legislation provided for an executive officer, an administrator who has the power, and it sets up an advisory board. Don't you think that that is the proper way to handle this legislation as well? If you expect the Contract Termination Act to work out satisfactorily to the industry, why does not that same system apply here?

Mr. BAUER. It is the opinion of the committee that these problems on the disposal of surplus property exceed those of contract termination.

Senator MURRAY. Exceed the problem of contract termination?

Mr. BAUER. This, gentlemen, is the biggest issue that this Nation has been confronted with. Do we want to place so much authority in the hands of one mind? A mind is not infallible. Although you have the best man that you can select to pass on these major issues, yet there are times when his mind is tired. Therefore, when you have a group assembled, you have the average consensus of opinion, which I think is the true democratic way of disposing of major issues in a democracy.

Senator TAFT. Let me suggest one bigger job, and that is the mobilization for war. We created first a board of seven men, just as you suggest. It ran for about a year, and finally that was dissolved. We had a

two-man board, then, and we never did get the job done until we cut it down to one man, and made him the head of the War Production Board, and a complete boss. That seems to me to be parallel to your present case.

Senator JOHNSON. May I point out, Mr. Chairman, to prepare for war and for peace are two different things. In war, there is only one objective, and in peace we have many parts of our economic situation and society to govern us.

Everybody is interested in this whole problem of disposal of surplus property, every man, woman, and child in the whole country. It seems to me where it is so important that the right policies be adopted, we ought not to go to the one-man administration; that we ought to have a policy-making board to direct this, under the Director War Mobilization and Post-war Adjustment. This is all to be set up under that Administrator.

May I further point out that the contract termination law was not so set up. It was placed independent of the Director of War Mobilization and Post-war Adjustment.

Senator TAFT. The Senator's own bill provides for that.

Senator JOHNSON. Not the latest revision of my bill.

Senator TAFT. The one of August 3.

Senator JOHNSON. I have even a later one than that, sir.

My bill does provide for such a board as has been created here this morning. It also has that advisory council that you speak of, but they are not the board. The board is the operating and policy-making board.

Senator MURRAY. Mr. Bauer, this Commission which you propose to set up is to be composed entirely of representatives of industry, a committee with those powers; is that correct?

Mr. BAUER. That is correct.

Senator MURRAY. Don't you think that labor, agriculture, and the public should be represented on that board? Do you think we should turn over to industry the supreme control as to how this disposal should take place?

Mr. BAUER. I would think that anything that has a direct influence on industry should be represented by industry.

Senator MURRAY. Ought to be controlled by industry?

Mr. BAUER. Yes.

Senator MURRAY. And agriculture and the public, although they might be affected, should not have any control in the matter at all, because the matter is a business proposition, and you think it should be managed by business?

Mr. BAUER. After all, is not that what our problem is? It is a business proposition which will affect employees.

Senator MURRAY. Which will affect the country as a whole. You think they are in a better position to determine the problems than to have labor, agriculture, or the public interfere in the matter?

Mr. BAUER. I have stated here the N. A. M. committee's position in the formation of such a board. Our prime objective and thought was that we should have collective thinking on these major issues as it affects industry. We recommend, you notice that distribution be made through proper trade channels. If we offer these surpluses to the public, they will come and buy them. There is sufficient purchasing power to create quite a market and demand for surpluses.

I think that a commission composed of the numbers that we have recommended here would speak for the public indirectly.

Senator MURRAY. They would speak for the public as well as for the employees and employers?

Mr. BAUER. Yes.

Senator MURRAY. Thank you very much for your statement.

Senator JOHNSON. Mr. Chairman, since I have injected a provision in my bill into this discussion, I would like to say my bill provides for representation of consumers, labor, industry, and agriculture on an equal basis, on the policy making board.

Senator TAFT. Mr. Bauer, might I ask you a question not directly related to this matter, but relating to Allis-Chalmers?

Do they manufacture machine tools?

Mr. BAUER. Not in the true sense of the classification.

Senator TAFT. Do you feel, just speaking now for your own industry, that there should be a freezing of all the kind of things that you make, or that they should be sold promptly by the Government, or gradually? What policy do you think is best in the long run for your own industry?

Mr. BAUER. I came here not prepared to talk for the industry, but the particular company that I represent.

Senator TAFT. I expect it is a lot more serious in the individual problems. If we can get more light on this, we can understand what the problem of the particular industry is.

Mr. BAUER. Since you pose the question, there are certain of these surpluses that should be made available as quickly as possible. In changing from wartime to peacetime production, it means a rearranging of machine tools and schedules in many cases, and in order to have available quickly the equipment necessary for that rearrangement, legislation should provide for such availability, in my opinion.

Senator JOHNSON. Should some of them be frozen tomorrow?

Mr. BAUER. I would limit the freezing of surplus to strategic materials.

Senator MURRAY. Strategic materials?

Mr. BAUER. Strategic materials, raw materials.

Senator MURRAY. Thank you very much for your statement, Mr. Bauer. Does that conclude your statement? You have no further comments to make?

Mr. BAUER. I have no more comments to make. Thank you.

Senator MURRAY. The next witness is D. M. Burgess, vice president, LeTourneau Co., Peoria, Ill.

STATEMENT OF D. M. BURGESS, VICE PRESIDENT, LeTOURNEAU CO., PEORIA, ILL.

Senator MURRAY. You represent the LeTourneau Co. of Peoria, Ill.

Mr. BURGESS. Yes, sir.

Senator MURRAY. What line of manufacturing is that company engaged in?

Mr. BURGESS. We manufacture bulldozers, carry-all scrapers, tractor-drawn cranes, Turnopile cranes, and so forth. Those are our main lines.

Senator MURRAY. Do you have some ideas that you wish to present to the Senate with reference to this problem?

Mr. BURGESS. I did not come with a prepared speech, and in fact I did not know I was coming here until Saturday, and then I was asked to attend this meeting.

I feel that different industries vary, and in our particular industry the Government is buying equipment from us.

Well, as an illustration, you take our D–4 dozer. That is a small tractor dozer of which the Government, at the present time, is buying more in 2 weeks than we normally sold in a year. If they were to be thrown on the market shortly after the war, we would not have any work for our dozer men. In other words, our Government, due to war conditions, has bought in reverse from the contractor. The contractor always bought everything big, and the Government bought everything small—I will not say everything small, but the majority of it was in small goods, and the result is that when this war is over, there is going to be a tremendous stock pile of small dozers, small scrapers, small roaders, equipment that will take a long time to dispose of. It will not hurt us as much as it will hurt some other manufacturers in the same lines, because we normally sell the big equipment. It will hurt the little fellow far more than it will hurt us.

Senator MURRAY. Where is the market for those things that you manufacture?

Mr. BURGESS. Road construction, airport construction, strip mining, and so forth. They are used the world over.

Senator MURRAY. Don't you anticipate that there will be a very large program of airport construction and road construction in the post-war period?

Mr. BURGESS. Yes, sir; but as to that road work, the difference is this. The contractor works on a net cost per yard. He has got to make a profit or go broke. Your war needs are entirely different. The Government would rather have 10 small machines than two large machines. So the result is we will have a glut on the market of what I call the county machine. In other words, in 1941, we manufactured 91 bulldozers, and now we make approximately 80 a week.

You see what will happen if you make a thousand of those and throw them on the market. Granted we did not make the small dozers for the Government before the war, because we did not lay with that type of business, but if these were for sale, it would hurt eight or nine other manufacturers that play with the small dozers.

Senator MURRAY. Of course at the end of the war, you expect to curtail your production considerably.

Mr. BURGESS. Not if we can help it. We never have yet, and we do not intend to do it. We came from $379,000 in 1943 to $43,000,000 in the last year. We do not intend to go back, not if we can help it, brother.

Seinator MURRAY. That is, you would like to continue your present scale of production, if possible, and instead of having the State, and cities, and various subdivisions of the Government buy these things as surplus property, you would like to have that property frozen and sell entirely new equipment?

Mr. BURGESS. Well, you can look at it two ways. We have got about 6,000 men working for us now. We have over 1,400 men in the service, because we are a young company, and our men were young, and therefore the draft hit us exceptionally hard. If we are going to give those boys a job when they come back from the war, and if we are going to keep the boys working that are there, we have got to keep in production. So every time you sell a dozer right after the war at 50 percent, or 25 percent, or even 85 percent, as far as that goes to a county, that is one job that a man hasn't got, or several men haven't got, you see. In other words, it is a problem, I realize that; but as the fellow says, "You cannot have your cake and eat it too."

After the last war, you put out four-wheel drive trucks to about every county in the country. Here is the result:

The truck people had no county business for 15 years. In fact, when this war started there were still some of those old trucks running.

I like this present bill because it does hold back, looking at it selfishly now, it does hold back that equipment until you get thoroughly readjusted.

Senator TAFT. Mr. Burgess, when will you ever be readjusted? What is your alternative? Is it your suggestion that they be held absolutely off the market for 5 years, or would you feed them out gradually, or would you just let them rust, throw them away, or let them go to seed? What is your suggestion as to what ought to be done?

Mr. BURGESS. I think each case has got to be handled individually. The witness before me mentioned, or you, I believe, mentioned machine tools. All right. We have worn out our machine tools during this war, or a good part of them, and we will be in the market for machine tools after the war. We are going to have to buy some machine tools, and we are willing to pay the list price for them, the regular price. We do not want to pay 25 cents on the dollar, or 50 cents on the dollar. There is an item possibly that should be fed out gradually, so as not to kill the machine tool trade. You take the large scrapers which we manufacture. Very few of them were used in the war effort, that is in the Army directly, except some in airports on a contract basis.

A unit like that, if that were thrown back on the market, a few at a time, would not bother the market. It is a problem, Senator, that I frankly do not have the answer to, but I do like the idea of holding back surpluses.

Senator TAFT. These general contractors came in and told us what their position was, that they would like the opportunity to buy all of these things, and you like the opportunity to buy the machine tools. As a matter of fact, they are rather objecting to the county getting them for nothing, or almost for nothing. They say, "we are the businessmen that should have the opportunity to buy this equipment."

Mr. BURGESS. The contractor in our line—I am not talking of any other lines—does not buy the same type of equipment that the county buys. The county buys the 6-yard scraper, and the United States Engineers buy this 11-yard and 15-yard scraper. The contractor starts with the 15-yard and goes to 24 yards. The county buys a $3,000 or $3,500 machine, while the contractor buys an $11,000 machine.

If you were to give contractors an 11-yard heap scraper, it would cost them anywhere from $10,000 to $40,000 for the privilege of accepting the gift, because all of the work is done on the net cost per yard. Figuring that we go back to the contract system after the war, not W. P. A., the difference between the 15-yard and the 24-yard scraper is 3 cents a yard.

Senator TAFT. This letter from the General Contractor's Association objects to the bill which gives the county the right to buy at a 50-percent reduction.

Mr. BURGESS. I will tell you why they do object to that. The contractor feels he should build county roads; he feels he can build the county roads cheaper than the county can build them, and I am inclined to agree with him.

If you give the county scrapers at a 50-percent reduction, you encourage the county to go in the road-building game. The county does not have to make a profit. If the dirt costs the county 40 cents or 50 cents a yard, the taxpayer pays for it, but if the contractor takes it for 30 cents a yard, he either makes a profit or he goes broke. In other words, a contract system is far more efficient than a county system of road-building.

Senator MURRAY. In other words, you feel the contractors would not want the more efficient machinery because they would do the job cheaper?

Mr. BURGESS. The contractor would want the efficient machinery.

Senator MURRAY. I thought you said a moment ago that they would not buy this more efficient machinery.

Mr. BURGESS. I said they would not buy this equipment you have on hand from the Government; the bigger contractor would not touch it.

Senator MURRAY. Why not?

Mr. BURGESS. For the simple reason that if you take an 8-yard scraper as against the 24-yard scraper, every trip you move three times as much dirt with one man, you see. In other words, look at it this way, as I gave you the illustration a minute ago: A 15-yard scraper as against a 24-yard scraper and a 1,000-foot haul; this one haul will move the dirt 3 cents a yard cheaper.

Senator MURRAY. In other words, the smaller one is more efficient?

Mr. BURGESS. The 24-yard scraper will move the dirt 3 cents a yard cheaper. If you move 150 yards an hour, there is $4.50 an hour saving. You figure a scraper has 10,000 hours of life; there is $45,000 saving. He will pay in the neighborhood of about $9,000 for that scraper, and he will save $45,000.

If the Government gave him the 15-yard scraper, he could not afford today to own it. On the other hand, if you sell the 15-yard scraper to the county, they have got the taxpayers back of them, and they will go ahead and use them.

There is certain work that the county should do, like maintenance, keeping the shoulders in good condition, cleaning out ditches, but not the road work. You find that is the reason that the contractor is against selling this equipment at 50 cents on the dollar to the county, because it is taking his business away from him.

Senator TAFT. Don't you think if this equipment was put in a warehouse, there is a possibility it might be sold any time, and that it would kill the market just about as much as if it were fed out gradually?

Mr. BURGESS. No.

Senator TAFT. More people would wait in order to be able to get hold of it?

Mr. BURGESS. People don't dare wait on this type of equipment.

Senator TAFT. You mean there is a tremendous market for them?

Mr. BURGESS. It is not a case of a tremendous market being for them. It is the case of a contractor who gets a job to do. He wants his equipment tomorrow. He is not willing to wait a couple of months for it, as he used to do. Right now, he wants to get the job done. He would not pass up a half a million yards or a million yards of dirt to wait 3 years to get a scraper, because he would lose whatever he might save on that scraper 20 times over.

I figure you will have a big adjustment period right after the war. If you want your factories busy so as to keep your work up for the country as a whole, you are going to need that relief more right after the war than you will 4 or 5 years from now.

Senator TAFT. Quite a few people feel it is far better to get the things sold now and out of the way than it is to have the thing hang over them. You think in this field it is a different problem. It may well be.

Mr. BURGESS. We are a highly specialized business. We are a small industry as an industry. I mean, compared with automobiles and a number of other industries, of course.

Senator TAFT. Does this stock deteriorate when it is put away?

Mr. BURGESS. No. If you put your tires under cover, they deteriorate a certain amount. You get some deterioration in the rubber, but the rest of it is welded steel.

Senator TAFT. I suppose this stuff that is going abroad will never come back.

Mr. BURGESS. I hope not, and I will tell you why I hope not.

Senator TAFT. I imagine it must be worn. I suppose it would be sufficiently used not to be of much use.

Mr. BURGESS. The way I feel on the equipment that is abroad is this: We were doing a good pioneering job abroad when the war started, but we did not cover the world as we should have covered it. We had our export up close to 30 percent when the war started. The equipment that goes to China, India, the Dutch Indies and stays there will make future customers for us.

We could not go right after the war and sell China, India, and the Dutch Indies any quantity, but you get equipment in there once, and it never comes out; then you can send a man there and you can sell them efficient equipment, because an 8-yard scraper is not efficient. If you show them something that will move dirt for half the money, they will get educated.

Senator MURRAY. Will there be a large market in the disposition of these things that you manufacture?

Mr. BURGESS. Well, when we did a $20,000,000 job, we had about 30 percent of that for export.

Senator MURRAY. You had an export of 30 percent, then?

Mr. BURGESS. Yes; in 1939, we had up to 30 percent. Your world outside of the United States, Canada, and a little in Britain, were way backward on dirt moving. In the first machines we put in Iraq we competed with 20-cent a day labor, sunrise to sunset, and yet we put machines in there at double the cost of delivery, with duty and freight, and we got an increase in our business there.

Senator MURRAY. Will not there be an increased demand in foreign countries, and especially the countries that will probably begin some development in the post-war period?

Mr. BURGESS. I believe there will be a big demand in foreign trade. That is the reason I say I do not object to putting some of this stuff

into the dark areas of Africa, back in China, in the Indies, and in New Guinea, where there are no roads now. You give a man a taste of a good road once, and it is like a man that gets the taste of good Scotch, he won't forget it right away.

Senator MURRAY. There would be an effort to dispose of the property abroad, and in that way avoid having any effect on American trade?

Mr. BURGESS. There is a 50–50 proposition there. In other words, if you leave the equipment over there and dispose of it there, that is one thing; but if you throw all of the equipment that is in the United States over there, then you will kill the export trade for a number of years. You have got to educate these fellows gradually. You cannot sell a man a program like this overnight.

Senator TAFT. My chief difficulty with your proposal is that I do not quite see why you would not be here making exactly the same argument you are making today, if this problem of selling the material arose 5 years from now. I don't quite understand when the problem would ever be such that it would suit you to have the Government sell the surpluses.

Mr. BURGESS. Except, don't you think, Senator, that 5 years from now, let us say, we should be settled down into normal business, and it would be better then than it would be right after the war with the boys coming back?

Senator TAFT. I think it would be settled more than it would be in the first year or two after the war, that is true; but it seems to me, also, there may be opportunities to get this thing done some time during the first year or two. I should think in that case, unless where you have got an extreme case, the policy of cleaning this out at a definite number every year would be a policy that the Government would desire to adopt.

Mr. BURGESS. Selfishly, we should not object to start feeding it out to counties right away for the reason we have never worked strong on counties, because that is all political business.

Senator TAFT. I am talking about the whole industry. You say the others would be injured to some extent?

Mr. BURGESS. They would be injured.

Senator TAFT. I should think if they knew in advance if the Administrator announced so many Government machines would be sold this year and no more, and probably no more next year, the business would adjust itself to that probably better than if you just put off everything 5 years.

Mr. BURGESS. We can adjust ourselves to it.

Now, what is an adjustment today? An adjustment means laying off men and closing up plants. How far do you want to go in that adjustment?

Senator TAFT. That is what I say, but that time is coming sooner or later. It always means that when you sell surplus property. You are not going to have a utopia 5 years from now, with everybody in a job. You will always have that problem.

Mr. BURGESS. There is another thing, too. The county, in the matter of these machines is like a lot of people that drive automobiles. They never wear them out. The county gets hold of something and they keep it, and keep it, and keep it.

If you threw that stuff to the contractor—frankly, most of them would not buy it, because, as I told you before, it is too small—

if you throw that stuff to the counties, it would be like the four-wheel drive trucks that they held for 15 years. You never hear of the contractor keeping a truck 15 years. He wears it out and gets a new one.

Senator MURRAY. Don't you think in the post-war period these counties that have old equipment would want to take advantage of the situation here where we have certain war property to dispose of, and they would take the surplus property and get rid of their old equipment, whereas if they did not have an opportunity to purchase this equipment at reduced figures, they would not purchase any equipment at all?

Mr. BURGESS. It would not be bothering our market personally, but it would be bothering a lot of our industry.

Senator MURRAY. I do not see how it would, because they would not be in the market for this material at all, except on the basis that they would get it cheaply and get it quickly.

Mr. BURGESS. Well, what you would be doing if you sold it at 50 cents on the dollar, you would be putting the Government in competition with the manufacturer, and the manufacturer cannot compete on a 50 percent basis.

Senator MURRAY. But still we cannot destroy all of this material, destroy that property which has value attached to it today.

Mr. BURGESS. Why not keep it for the next war?

Senator MURRAY. That is an idle observation, it seems to me. I do not think we are going to permit another war to come on so quickly as that. This material would be very obsolete, it seems to me, in a very few years from now. Are not there changes going on all the time in improvements?

Mr. BURGESS. Yes.

Senator MURRAY. If you tie this material up for 5 years, will not it be obsolete?

Mr. BURGESS. For certain types of work. Not particularly for county work, because the county is not progressive.

Senator JOHNSON. Mr. Burgess, the fear that all of this material is going to be thrown on the market is bound to slow up every industry, is it not? Will any industry be able to go ahead and get started quickly when the war ends with a great mountain of supplies likely to go on the market and upset it? Isn't the uncertainty of the situation that industry is facing likely to be more disastrous, perhaps, than even the actual situation itself?

Mr. BURGESS. Well, you know that rumor got going in Peoria there—who started it I do not know—that the Caterpillar was going to peacetime business in 30 days, which would automatically make us go to peacetime business, and the rumor was that the boys across the river are going to cut 10,000 men off and we are going to cut off 1,500 in Peoria, and we noticed the difference in war production right then and there. Right off the bat, we felt it.

Senator JOHNSON. There is such a fear there?

Mr. BURGESS. Yes. The boys just slowed down on us. I think you hit something there. The laboring man wonders what is going to happen after the war. He looks in the yard and sees a bunch of equipment, and he says, "What is going to happen when this is all over? Is this going to be sold next week, and we are not going to work until it is all disposed of?"

Senator JOHNSON. That chaos that will be caused by the uncertainty certainly will not spur industry to move ahead quickly, and get under way, to take hold of the problem and hire men and go ahead on the basis that we hope they will go ahead in the post-war period.

Mr. BURGESS. I agree with you 100 percent on that statement.

Senator JOHNSON. If you take away that uncertainty you still have the problem.

Mr. BURGESS. Whether 5 years is right, or 4 years or 3½ years, frankly I do not know. You men are far better judges of that than I am.

Senator JOHNSON. That will be up to Congres anyway. If they want to continue it for 5 years, if they want to curtail it, or want to make some other changes in it, that will be up to Congress. You are certainly going to have Congress after this year. They will be sitting and they will be ready to act.

Senator MURRAY. Thank you very much, Mr. Burgess.

Mr. BURGESS. All right, sir

Senator MURRAY. Is Mr. Ralph Moore here?

(No response.)

Senator MURRAY. Is Mr. Charles P. Garvin here?

Mr. GARVIN. Here.

Senator MURRAY You come forward, Mr. Garvin.

STATEMENT OF CHARLES P. GARVIN, GENERAL MANAGER, NATIONAL STATIONERS ASSOCIATION

Senator MURRAY. You may state your name, and whom you represent.

Mr. GARVIN. Charles P. Garvin, general manager of the National Stationers Association.

Gentlemen of the committee, perhaps I will run around my subject a little bit because of the fact that I have listened to this body and to this conversation. Our business is a business where we can automatically answer some of the questions that have been asked.

I might say I am here in support of Senator Johnson's bill. I might say that our stuff can be used up by the Government departments and hence, if it were tied up, it would simply mean tying up Government buying for a certain length of time, as far as our goods are concerned, and a gradual absorption of the goods by the Government departments, with no throwing on the market.

We appear here today in support of the philosophy contained in S. 2045, a proposal by Senator Johnson of Colorado.

In November 1943 we suggested a 5-year moratorium plan for the disposal of surplus war goods and why. Let me quickly identify myself and my group. Without going into a vast survey, using a lot of paper and time and manpower, I give you some estimates.

I would say that over 90 percent of the people in my association employ less than 350 people. Out of that 90 percent, I would say that 90 percent employ less than 200 people—and out of that 90 percent, I'd say that 90 percent employ less than 50 people. There are a heck of a lot of them that employ not more than 10 or 12 or 15, and some only 4 or 5.

I am a small businessman, even though I don't look it.

Now, why are we interested in a 5-year padlock or moratorium plan? In the first place, to give business a chance to get its breath. It will keep off the market a lot of Government specification stuff that almost inevitably, as after the last war, would get into the hands of speculators willing to gamble with business' chances for recovery and with the national interest. It would get into the hands of aliens in this country who seem to have a lot of money, and, I was told the other day not to mention this, who are buying up property and businesses at the present time, and it would get into the hands of people who have not been in the particular business before the war.

The average businessman of this country has done a magnificent job during this war. He certainly should not be put at a disadvantage of having a tremendous amount of stuff unloaded on the market at a time when he is trying to reestablish employment and at a time when he is trying to reestablish himself in his proper and legitimate place in the national economy.

We like this Johnson bill. Like everything else, I suppose if we had had it to write, we might have had some different things in it, of course, and after we got through we wouldn't be pleased with it; but we have a whale of a lot of faith in the Congress of the United States and I judge that any bill of this kind that would be passed would make such Administrator report to the Congress what he was doing and what was happening.

Secondly, this bill provides for a declaration of surplus property—which means an inventory. It provides that the agency shall make the fullest practical use of surplus property before they go into unnecessary commercial purchases. It provides for sales abroad, and I might say at that point that our friends in Canada in our business would prefer that it be not dumped in Canada. It provides for the immediate sale of perishable property. It provides for the holding up of disposition of durable property for 5 years, and, with proper usage by the agencies, a great deal of it ought to be used up in 5 years.

It seems to me that the proper exemptions have been made in the bill, and we think that the intent and purpose of this bill is more to the liking of the average businessman—and the average businessman is not a big businessman—we think that the intent and purpose of this bill is more to the liking of the average businessman than any other proposal that we have heard of.

We are not in favor of setting up some tremendous bureaucracy to handle this thing. We are not against a department handling it in the proper way, but if there is a 5-year moratorium, there won't be the need for a tremendous bureauracy being set up.

We think that a man, to buy any surplus property now or 5 years after the war—I might explain at that point, sir, I am talking now about goods that are going to the stores and are resold to the public.

Senator TAFT. Just what are the articles involved?

Mr. GARVIN. Office equipment, commercial stationery, the things that make business grow.

Senator TAFT. What is commercial stationery?

Mr. GARVIN. Commercial stationery is used in commerce and business, forms, looseleaf, all of that kind of thing, without which business cannot operate.

Senator TAFT. Is there much of that in the Government that has not been marketed?

Mr. GARVIN. Yes, sir; I don't like to say this, Senator, but there were a lot of mistakes made by ambitious purchasers who bought a tremendous amount of stuff, because there is a thrill that goes with that sort of thing. When this is over we will find tremendous quantities that never should have been bought. I know of a case in your State where they have bought up some 15,000,000 filing folders. Someone questioned it, and they found they had 8,000,000 filing folders in stock. Eight million filing folders would almost take care of the records of W. P. B.

Senator MURRAY. Where were those orders given out? What department of the Government gave out those orders?

Mr. GARVIN. That was the Air Corps, particularly.

Senator MURRAY. When did that occur?

Mr. GARVIN. I would say about 6 months ago, Senator. I don't know exactly. I have got that kind of mind that things get into and never get out of. I could go on and give you so many of them that it would be funny.

Senator MURRAY. We would like to have them. We would like you to give any information you have of that kind. I think it would be very valuable.

Mr. GARVIN. I have got even a more important one than that. I am not so much afraid of my Government——

Senator MURRAY. Could you give us a statement? Will you furnish this committee a statement of all those instances which you have in mind?

Mr. GARVIN. Yes, sir.

Senator MURRAY. Give the names of the Government agencies that put in those orders?

Mr. GARVIN. Yes, sir.

Senator MURRAY. We want that.

Mr. GARVIN. Yes, sir.

Senator MURRAY. I think it is very important that we should have that, and if you have it, I want you to give it to us.

Mr. GARVIN. We will get as much of that as we can. I know one fellow that was mixed up in it. I would not have a difficult time finding him, because he is in jail.

Senator MURRAY. You can give us whatever information you have. There is no reason why you could not give it to us, frankly.

Mr. GARVIN. Not a bit, because that is a tremendous problem, and that is one of the reasons why we like the 5-year moratorium plan that will give the people an opportunity to use up the stuff that they own.

There is another thing. A lot of this stuff has been made to Government specifications, and if it gets out on the market, it cannot go into the regular commercial channels because it does not fit. So, the natural thing is speculators are going to get it, and then we will have trouble, not for 5 years, but for all the rest of my life, which is not as long perhaps as some others; but it is a problem, and it is a practical problem that we are confronted with.

Senator MURRAY. It seems to me that these forms which you have reference to would be utterly unusable in commercial trade if they are made up for the Government.

Mr. GARVIN. Of course, a lot of the forms would be unusable, Senator, but there is a tremendous amount of stuff like mimeograph papers, for example, that can be used.

I remember one day I went down to a department here and I sat down on what looked like a small mountain of something. I looked down and I was sitting on a couple of tons of mimeographed paper. Anyone would do so there, because they were stumbling over it.

Senator MURRAY. What department was that in?

Mr. GARVIN. That was in Commerce, but that is quite a long time ago, and they have used it up since.

Senator MURRAY. How long a time ago, would you say?

Mr. GARVIN. I would say they used it up in the last 6 or 8 months.

Senator MURRAY. So it was not such an excess then but what it could be used up?

Mr. GARVIN. Yes. The biggest orders in this country are, I believe, the Government purchasing orders. There is no use kidding ourselves about that.

Senator TAFT. You suggested, in declaring a surplus, the Government should not count anything that it might use during the next 5 years or 10 years, or some such period; is that right?

Mr. GARVIN. Yes; I think that is very true. You asked me a question about commercial stationery. Commercial stationery is something that is always in a process of flux. I think a great majority of these goods can be used up by the Government departments to good advantage. I don't think there is any question about that. The thing I am worrying about, Senator, is small business. Few people seem to realize that a great bulk of little businessmen in this country are the merchants. It is not the manufacturer. It is not the thing that Maury Maverick says, "I am going to get you some goods to make something out of." It does not affect the merchant at all. This bill hitches into the merchant proposition. The merchant is a tremendous employer of labor in this country, and these merchants must not have a whole lot of junk dumped on them.

It would be bad enough if the stuff were good, but so much is Government specification that, if this junk were dumped on the market, it would not do anybody any good.

Senator MURRAY. You think the Goverment could retain a lot of the material?

Mr. GARVIN. Yes. I think in 5 years it would use up the great hump of this thing.

Senator MURRAY. It does not seem to me that that presents any difficult problem.

Mr. GARVIN. Not a bit.

Senator MURRAY. We can handle that in the legislation.

If the Government can use the material, we are certainly not going to let them dump it on the market and then buy new material later on.

Mr. GARVIN. I think the same thing would apply to any printing materials with the G. P. O. One of the jobs which, I think, ought to be done in the bill is segregation of these things, so we will know the things that the Government can use and make sure that they are not going on buying things they have already got.

Of course, I have got some friends that would probably sock me in the snout if they heard me say that, because they are making a

living selling that stuff to the Government, but, after all is said and done, I represent an industry.

I have only a few more lines here.

Senator JOHNSON. Before you go ahead, Mr. Garvin, may I suggest to Senator Murray that that is the philosophy of this bill, to hold it off the market for 5 years. He seems to be under the impression if you tell Government agencies now, "You have got to use this stuff up before you can declare it surplus," that you would solve a problem; but if you put a padlock on for 5 years and don't let them sell to the general public, then you will have something in there that is compulsory, that will compel them to use it themselves. It is the difference between simply a gesture, saying, "You ought to use up this stuff," and something in there that says, "You must use it."

Mr. GARVIN. That is what I like about this bill. I think the bill automatically sets up an inventory of surplus merchandise. I think that is in the bill. It does not say so in so many words, but I think that is enormously important.

We think that a man, to buy any surplus property now, or 5 years after the war, ought to meet two requirements: One, that he is a citizen of the United States, and, second, that where he is allowed to buy commodities, he must prove first that he was in that business definitely and legitimately before the war started.

The average businessman of this country is sick and tired of having somebody look at him, touch him on the head, and say, "How's my little man today?"

This bill is understandable. I know it is understandable because right away people begin to talk about it. No bill is going to be perfect, but we feel that the philosophy and intent of this bill, S. 2045, is something that can be understood by the average businessman and sets up some sort of an insurance that he be not forced out of business by having to compete with a flood of surplus war goods when the war comes suddenly to an end.

We respectfully submit our approval of S. 2045 to the committee.

I want to say one more thing, if you will permit me.

The thing I like about your bill, Senator, is that I, with my small mentality, can understand it. There are so many things that get put into laws in Washington that the average man cannot make out what it means—just cannot figure it out.

This business of what sort of board you are going to set up, whether it be an individual or something, I will leave to the Congress. I do not think that is my job, but when I come up here and see a bill that is simple enough for me to understand, I figure a lot of other people can understand it too. I am much obliged to you.

Thank you.

Senator MURRAY. Thank you very much.

The next witness is Mr. John Corson.

Mr. Corson is not here.

Is Mr. Ralph Moore here now?

(No response.)

Senator MURRAY. Is there anyone else here who would like to make a statement at this time? Any representative of the C. I. O. or the railroad brotherhood?

Senator JOHNSON. The C. I. O. asked if they could make their statement at 2 o'clock today.

Senator MURRAY. We will meet at 2 o'clock to hear the railroad brotherhood and the C. I. O.

(Whereupon, at 12 m. (noon), the committee recessed to 2 p. m., of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 2 p. m.)

Senator MURRAY. The hearing will come to order.

Dr. Lamb is the first witness.

STATEMENT OF ROBERT K. LAMB, LEGISLATIVE REPRESENTATIVE, UNITED STEEL WORKERS OF AMERICA, CONGRESS OF INDUSTRIAL ORGANIZATIONS

Senator MURRAY. You may state your name, and what organization you represent.

Mr. LAMB. My name is Robert K. Lamb, and I am the legislative representative for the United Steel Workers of America, C. I. O., and I am here both in that capacity, and as representing the Congress of Industrial Organizations, Mr. Philip Murray, president of both organizations.

I should like to say, Mr. Chairman, that especially on the bill which has been introduced by Senator Johnson, I do not presume to have a very thorough knowledge of it, and I may have to ask the Senator to inform me at various points as to the intent of the bill.

I only saw a copy of it the latter part of last week, and I have before me a revised committee print, which I understand has just been completed.

Before I start discussing the individual bills, I would like to take the time of the committee to discuss the general problem of disposal of surplus property as I see it, and the relationship of that problem to some of the others with which Congress has recently been concerned, such as the question of contract termination and the question of unemployment compensation, and especially the question of the over-all machinery for war demobilization and post-war adjustment.

I would like to say in this connection that it seems to me whereas a great deal of time has been expended by both Houses of Congress, and by various committees within those two bodies, and by various representatives of the public, and different organizations within the public, that we are only now beginning to sense the full magnitude of the problems confronting us.

In that connection, I should like to call the attention of the committee to the issue of the United States News which is dated August 18, and the section called Tomorrow, which I have before me, labeled Newsgram which says [reading]:

> Next big individual worry is to be a job worry; is to be concern over what happens when war contracts are cut back, when war industry suddenly slows.

It goes on:

> Worry now starting isn't an exclusive worry. It is not limited to laborers. Many a businessman will find his business fading with lend-lease.
>
> Very many executives, promoted in wartime, will be demoted or displaced when the war orders end, when industry starts to contract to a peacetime basis.
>
> Many a Government worker, ordering people around in wartime, will be out

of a job in peacetime; will make way for a returning veteran, or find this job ended.

The period to come is to be one of drastic change, of personal upsets.

That explains the new worry in Congress.

and so forth.

Well, it seems to me that events are probably going to be our best educators in these matters, but I hope it will not be necessary for events to overtake us in order for us to be prepared.

Now, with respect to surplus property as it relates to these problems, it seems to me there are currently three different approaches being presented.

The first of these is that the United States Government should recover the greatest number of dollars in the shortest possible period of time. The second of these is that, to a large extent, we should freeze existing surplus property, and the third is that the disposal of surplus property, like the programing of contract termination, or the provision for the appearance of unemployment, or the transfer of workers from one place to another, all call for a very large-scale program on the part of the Federal Government, both the legislative and executive branches.

I stress the legislative because it seems to me that the Congress should be responsible for such a development of a program, and the writing of that program, insofar as these things can be foreseen, into legislation.

In my estimation—and I think I can say that this is so of the Congress of Industrial Organizations—to date, we have not succeeded in stating that very comprehensive point of view. I may say that in my statement of the three possible approaches, I have made them black and white, whereas I do not know of any pending legislation which is completely black and white on these matters.

As a matter of fact, I think with respect to surplus property legislation, it is interesting to observe the extent to which passages have been borrowed back and forth from one piece of legislation to another until, in certain parts of this legislation, it is almost impossible to determine the authorship.

I am all in favor of that, insofar as those borrowings are sound. That is the way that really desirable over-all legislation should be hammered out, I guess. We have, nevertheless—not on details, but on broad principles—considerable differences of opinion still remaining and I would like to draw the differences as sharply as possible for the moment in this preliminary discussion, so as to drive home what I think are the shortcomings of the present position.

As perhaps the members of this committee are aware, the Congress of Industrial Organizations has stated on several occasions since the 1st of January, its dedication to the proposition that this country must have full employment after the war.

A great many other people have paid lip service to the same idea. Although in some circles there is talk, in the name of realism, about high-level employment instead of full employment, I do not think it is truly realistic.

In January the Congress of Industrial Organizations held in New York City a conference of its own members, representatives of the various organizations, to discuss full employment. A small booklet embodying the statement at that time has been published, and I will

offer it for the record, and see that it is later sent to the committee and placed in their hands.

I stress this because it seems to me the question of full employment is at the center of these matters, and I would like to call the committee's attention to the fact that we perhaps are not talking about the same things when we talk about full employment.

There is a temptation on the part of certain people to say that if we merely approach the present level of employment after the war, we shall not be doing very well. I am sorry to say they are right, because if we think merely of the present level of employment, we are going to have a large amount of unemployment. In other words, this country finds itself at the present moment in the unusual dilemma of having to find an economic substitute for war. This was well said in the various reports which have come out from various committees and subcommittees in the last month or 6 weeks, and I think the phrase bears repeating: we must find such a substitute.

Now, that is a gigantic undertaking when you consider we have been spending at the rate of $100,000,000,000 a year in the course of the last 12 months. A large part of that expenditure, not only last year, but more especially in the years immediately preceding, in 1941 and 1942, went into this surplus property that we are talking about here. We have not only transformed the ordinary industrial plant of the United States in the course of the war, but we put ourselves in the embarrassing position of having in some place in some industries two machines where one grew before.

I say it is embarrassing. I think that some of the measures in Senator Johnson's bill, as I understand them, are intended to face up to that embarrassment, but insofar as I understand them, they seem to me to call for holding these surpluses off the market.

The point of view that I am advocating here says that, insofar as possible, we should not permit these surpluses of plants or products to be an embarrassment. It shows a lack of boldness and courage which is not characteristic of the American people.

On the contrary, it seems to me that this country has an opportunity such as it has never had before. Because of the objectionable business of war, we now find ourselves richer than we have ever been in our history.

The challenging problem, however, is how to make use of these riches. We can attack this problem in one of three ways. We can do it by saying, "Let us go back to pre-1940 levels and operate this economy, as far as possible, with the machinery and equipment of that period, turn the clock back and start from there, holding the balance even, on the basis of competition between large and small, to go back to there and hold the rest off the market; or we can permit the administration, for example, of surplus property to carry us over into the disposition of these surpluses on a speculative and scramble basis, and find ourselves with a considerably altered balance between large and small industries, and between various parts of the country, but one which is forced on us directly by the administration of surplus property, and other parts of the demobilization program; or we can have a really adequate plan in which all the elements of the American community are participants."

Now, I would like to call the attention of this committee to the fact that its bill as reported out to the Senate last week, which con-

tained the provision for a Board of Production and Employment was considerably altered in the George bill version as voted by the Senate, so that the Production and Employment Board is no longer as wieldy an instrument for presentation to the general public, and various groups represented, as it was before, having been increased from 10 to 12. But, what is more important, the Board does not have any responsibility for bringing before it the Director of War Mobilization or other administrator, such as, for example, the Surplus Property Administrator, and at the same time, the operations of the Board will be such that it will only function at the call of the Director. It will not have any authority over, or any responsibility for, securing adequate operation on the basis of which to make its own plans and programs, or to review other plans and programs.

I think this is of the utmost importance with respect to this and other pieces of legislation now before the Congress, because in the absence of full cooperation from industry, labor, and wherever appropriate, agriculture, as well as the general public, I fail to see how we are going to get through the transition period immediately ahead without a mishap.

What I am trying to stress here—and I find some difficulty in making the point sufficiently forcible, because no one person, and even no one organization is adequate to drive home this point, and this must come from all corners of the country—is that we have got to widen our horizon of understanding of the problem ahead. We have got to recognize the extent to which it is a cooperative undertaking.

In that connection, Senator Johnson, I would like to say I welcome the proposal for a board in your bill. I question whether a board is capable of administering such a program. I do not know whether it is possible to substitute a board for an administrator, but I certainly think a board is needed to be consulted, and I think the provisions in the Stewart-Taft bill for the inclusion of representative members on the board, or the provision in the bill for having such a board administer the program, should be seriously considered by the Congress, as over against the idea of having an administrator who has nothing but governmental representatives on an advisory committee.

This is too big a problem to be left to Government administrators alone. It takes, I think, the best advice of all these groups about whom we are talking.

I am not sure that I have yet made sufficiently clear the point I want to make as to the magnitude of the problem, but perhaps I had better leave that until I get through, at which time the members of the committee may have questions.

Now, I would like to turn to the question of surpluses, and say that in addition to the fact that labor wants representation on an advisory board, it will not matter whether we have representation on an advisory board or not, provided that the bill under which that board operates is not a good bill.

We have had enough of advisory boards which were not consulted, did not have to be consulted, and had no power to exercise their say.

I would like to indicate what I think are some of the things necessary in a good bill. I am not sure that any of the three bills that I have recently examined, the bill which will probably come over from the House in some form or other in the next few days, the bill which has

been reported out by the Senate, or rather has been prepared by the Senate Small Business Committee, and which is now before the Senate, with the number S. 2065, I believe, and finally, S. 2045, which is Senator Johnson's bill. That is correct, is it not, Senator?

Senator JOHNSON. That is right.

Mr. LAMB. We are interested in the effects of disposal of surpluses first on the market and then on employment. We are interested in the effect on the market because that will affect the employment of our people, and of course it will, to some extent, affect their purchasing power; but in the long run their employment is more important than any temporary price differences that may be created.

As far as the effect on the market is concerned, we definitely do not want a waste of these products, provided it can be avoided while maintaining some of the other principles.

As to the effect on employment, we have, of course, our just stake in the disposal of plants as well as in the disposal of surplus goods.

With respect to plants, we are very clear as to what we want. We want operation of those plants. We want a program, a national program, covering all the subjects mentioned earlier, which will make the maximum operation of the plants possible, because we believe that the needs of the American people, to say nothing of the needs of the rest of the world which our exports will help to supply, call for such large scale operation from here out.

In the first place, the need for employment calls for it. But if this were merely a make-work program, it would not be worth your attention.

I said earlier that merely maintaining the present level of operation will not do. The reason why it will not do is that we are going to withdraw four or five million people from the job market, probably, when the war is over, voluntarily, people who are over age, the older men and women who prefer to go back in retirement, and who worked for patriotic reasons, the youths who want to go back to school, and those who are not cheerful to do so, because they want to make the money, their families ought to encourage them to do so, because they need the schooling, and the working mothers who ought to go back into their homes and who will want to do so for the sake of their families. But after you withdraw some four or five million such groups, you will still have to increase your job opportunities to take care of a net of some six millions of people, six or seven million who are now in the armed forces.

Now, under those circumstances, the problem of planning increased operations is going to be quite a job, because we have to outdo ourselves by comparison with the war period.

We want to give the Surplus Property Administration, for example, the power to turn from operation to the question of the handling of these surpluses, the power to regulate the prices, so long as there are susbtantial shortages, in order to prevent the operations of speculators. This may mean mark-ups, for example, of these surpluses, or some other system of the kind, so as to guarantee that the ultimate price is not destructive to the general price structure with respect to a given article.

We are going to desire a wide distribution of the consumer goods which are made available by the sale of these surpluses, and we would

like that in spite of any present location of goods or warehouses. We think it is of the utmost importance that the whole country have access to these surpluses and that they not be dumped in limited areas where speculators will buy them and disrupt the markets.

Of course, we want the distribution, as far as possible, to be through the present channels of trade. We are not interested in seeing new fly-by-night concerns set up or new channels of trade which will be temporary and disruptive. This does not mean we are interested in the preservation of monopolistic distribution.

Now, as I said at the beginning, I am not sure that I fully understand the application of the provisions of Senator Johnson's bill. It seems to me, to some extent, that he proposes to have certain goods overhang the market for 5 years. Whereas, if our general proposals that I stated at the beginning were followed out, they would be released by the Administrator gradually, bearing in mind the effect on the market of their release.

This control by the Administrator raises a great many questions in the bill, which, for the sake of shorthand, I will call the Colmer bill. It seems to me that the authority of the Administrator is much too sweeping, and that consequently we have no guarantee that the release will bear in mind the effect on the market, especially on those portions of the market such as small business, which we are interested in being protected.

In the case of the goods overhanging the market, I take it that the number of consumer goods that actually overhang the market is pretty limited, a few months' supply. Is that correct, Senator Johnson? Is that your impression?

Senator JOHNSON. I do not know how much it amounts to. Various students on the question report the amount in consumer goods will aggregate about $15,000,000,000. I do not think the Congress has before it any authentic reports on the amount of surplus goods, the variety of surplus goods, or anything along that line. Most of it is pretty much guesswork, but one student whom I read the other day said consumer goods would amount to about $15,000,000,000. That does not include, of course, aircraft or ships, or anything of that kind, just consumer goods.

Mr. LAMB. Of course, that does include goods which are now abroad, perhaps.

Senator JOHNSON. That may include goods that are abroad.

Mr. LAMB. It is hard to deal with that over-all figure, because not having it broken down, you cannot tell what lines will be most severely affected.

Of course, we know there are some lines such as blankets, men's underwear, and things of that kind that are warehoused for Army use. Some of them are pretty numerous, but generally speaking, it would seem to me that the consumer goods part of the problem is not as much of an element hanging over the market as the disposal of industrial machinery, because that goes on affecting the balance sheet of all of the corporations that are competing for the industrial machinery for *X* years ahead, depending on when the disposal takes place, who gets it, and on what terms, and so forth.

Senator MURRAY. On the subject of the amount of surplus material and goods that will be on hand, way last March, our committee had a

resolution put through Congress calling upon the various Government agencies to prepare inventories. Those inventories are now in the course of preparation. Of course it is true at the present time we have no absolutely accurate way of determining the amount of surplus goods on hand. The estimate that we have always been referring to was prepared by the War Production Board, and it estimates there will be something in the neighborhood of $100,000,000 of goods both in this country and in foreign countries on hand at the close of the war.

Mr. LAMB. On that point, Senator, I think you and the Senate committee ought to be congratulated on having finally driven through provisions for such an inventory. It has been long overdue, and when we have it, we will be in a much better position to talk about these things than we are now.

I would like to digress for a moment and say, in that and other connections, it seems to me it would be unfortunate if we suddenly had a demand for haste in the passage of this legislation; a demand which was so hearty and urgent as to make it impossible for another couple of weeks of consideration by the Senate Military Affairs Committee when any legislation comes over from the House because, it seems to me, the numbers of different pieces of legislation which are now in the field require adequate consideration by the Senate committee in order to equalize the various details, I think that is further testified to by the fact that there has been this large amount of borrowing back and forth between the bills that I mentioned, which shows that each committee has recognized the merit in some of the proposals of other committees.

All of that speaks, it seems to me, in favor of some postponement. I am not speaking now for a long delay, but for a reasonable postponement until you can have all groups in the committee, who ought to address themselves to this, given a chance, and if they do not take their chance, they lose it within the next couple of weeks.

Senator MURRAY. Of course, the committee has been urged, through the press and through various organizations to make speed in getting up this program of demobilization and post-war adjustment. The subcommittee has held extensive hearings on the subject of surplus materials disposal for some time. I think the country is anxiously awaiting the completion of this post-war program that we are supposed to be preparing.

Mr. LAMB. I appreciate the need for speed, Senator, but I have this feeling: It was said on the floor of the Senate in the course of the debate last week, that all the Senators have not had the opportunity to study the legislation, but that they must all be familiar with it at this time, to be sure; but I have the feeling if they had been more familiar with the legislation than they were, they might have acted differently in the passage of the bill before the Senate.

I think the same thing may apply to this one.

Senator MURRAY. Of course, there is some truth in that. Of course, the subject has been before the country for a long while. I am sure most of the Senators have been giving it some study, some thought during the past several months. I think it is one of the most important problems that we have.

Mr. LAMB. I would not say, Senator, it is any lack of understanding of the general problem that is involved, but rather an inadequate discussion of the details of the individual bills. I would like to go

through a given bill and indicate in detail some of the sorts of things that occur to me, topic by topic.

Senator MURRAY. What bill are you referring to?

Mr. LAMB. I would like to take up S. 2065 as a model, and then will turn to Senator Johnson and ask him to further inform me on the contents of it.

Senator JOHNSON. I shall be glad to tell you how each subject is treated in my bill, if the chairman will permit.

Senator MURRAY. You have carte blanche from me to go as far as you want.

Senator JOHNSON. I will try not to abuse the privilege.

Mr. LAMB. Well, I would like to discuss first in all of these bills, but especially in the Colmer bill and S. 2065 the proposition that the Administrator is to delegate authority and discretion to the heads of any Government agencies. This, of course, is a necessary authority, but inherent in it is one of the principal problems that I see in the drafting of any legislation. It is almost impossible to allow any broad delegation unless the general principles, under which they, in turn, and the Administrator, himself, shall administer, are carefully laid down.

As I said, I do not believe that in the Colmer bill there is a sufficient hedging around the authority of the Administrator, and there is consequently an excessive delegation of authority to the various agencies to carry out the authority conferred on the Administrator and delegated to him.

Senator JOHNSON. That is one reason, Dr. Lamb, that my bill sets up the Policy Board as a control board, and the Policy Board under my bill elects the Director and he carries out their policies, and the Policy Board under my bill is selected from four different groups, the consumer group, agriculture, industry, and labor, each having two members on that Board; and because there are so many policies that must be determined, and because it would be in the interest of this country to have all of these different parts of our society represented in the determination of those policies, we have set the Board up in that way. That is a policy board and must not be confused with the so-called advisory board that you find in other bills.

Mr. LAMB. I understand.

Senator JOHNSON. In my bill, we call the so-called advisory board the Surplus Property Advisory Council. They are retained in much the same form as they are in other bills, except we add the Department of Labor to those agencies which appear in the other bills.

That is an advisory council. They are not policy making. They are simply advisory.

Mr. LAMB. But in your bill, they are policy making.

Senator JOHNSON. In my bill, the Board we set up is policy making.

Mr. LAMB. I understand.

I would like to ask the Senator whether it is not true that in his bill, the bill determines, however, pretty narrowly what policies the Board could carry out?

Senator JOHNSON. That may be so. There are a great many restrictions in my bill. The whole philosophy of my bill is to retain control in Congress. The disposal of ships, for instance, is retained in Congress looking toward further and specific legislation on that point, as is the disposal of aircraft and other matters that just seemed impossible for a bill to comprehensively deal with, their being so large in themselves.

We only give the Board power over those specific subjects, but we tie them up and hold them for specific action of Congress. That is the policy and philosophy of my bill, and that is where it differs so much from these other bills.

Mr. LAMB. I am not a lawyer, Senator, so I cannot say for sure.

Senator JOHNSON. Neither am I.

Mr. LAMB. I have the impression that some of that language verges on the unconstitutional. As far as the retention of power in Congress is concerned, if it is merely a statement of intent that Congress shall retain authority over these things insofar as possible, then clearly it would not be unconstitutional, but Congress could certainly not become a kind of executive agency, and I think that is not your intent.

Senator JOHNSON. No; it is not my intent. The intent in my bill is to hold the question open for future action of Congress, to hold it in status quo, so that the Administrator cannot go out and dissipate the property which he has, that is given to him. We just tie it up. We hold it and tie it to a specific act of Congress.

Mr. LAMB. So that I understand the result of that correctly, let me give you an illustration and you can correct me if I am wrong.

The War Shipping Administrator, for example, would be expected to retain control over the ships now under his charge and to carry on the present practices of chartering those ships until such time as some disposition by Congress is made of the subject of sale of the ships. Is that correct?

Senator JOHNSON. Yes; that is the way it would work with respect to shipping. In other words, shipping is far more important than the value of the ships themselves. The Congress in this country is going to have to determine a shipping policy. We have all sorts of rumors about ships going to be given to this nation and that, and set up this line or that line, which may be fine, and may be all right, but we recognize the fact that this is a matter of policy that ought to be determined by the Congress, and so we tie the ships up and hold them in reserve until Congress itself takes such affirmative action by legislation.

Senator MURRAY. Does your bill set up a policy with reference to the disposal of steel plants?

Senator JOHNSON. Of course, there are not many integrated steel plants. A steel plant costs upward of $200,000,000. We have a steel plant. Whether we need another steel plant here or another steel plant there is a matter that Congress ought pretty well to determine, so we tie up steel plants in that way, for a specific act of Congress. I am thinking now of the steel plant that we have at Pueblo, Colo., where from six to seven thousand employees are working, and the C. I. O. is their bargaining agency. Now, if another plant is brought in, a plant built by the Government is brought in and operated, these employees are going to lose their jobs. They are going to be completely thrown out. Perhaps they should be thrown out of their jobs, perhaps the new plant should be thrown out of the picture, but whatever is done, it should be done by a specific act of Congress.

After all the facts are presented, and everything is heard, the Congress can determine what should be done. That is the reason we

put that kind of a plant under the ban and subect to disposition by Congress.

Mr. LAMB. I would like to ask the Senator specifically with respect to steel plants. What provision do you make for operating them in the meantime?

Senator JOHNSON. We make no provision whatever for operating them in the meantime, until they are disposed of by Congress.

Mr. LAMB. Pending disposal, those plants are out of operation?

Senator JOHNSON. They are tied up without operation; they are not operated.

Mr. LAMB. In other words, the people who have been brought, let us say, to Geneva, Utah, will have to move from there?

Senator JOHNSON. Yes.

Mr. LAMB. The plant will be closed and the operation of the plant will not be renewed until such time as it seems the desire of Congress to act accordingly?

Senator JOHNSON. That is right. That is the provision of my bill.

Senator MURRAY. And the power to act is controlled largely by political motives, political reasons, whereas it seems to me the Congress should adopt a policy that there should be no further concentration of these big, heavy industries in the already overcrowded areas of the country, and we should have a policy of continuing those plants on the coast, Geneva, Utah, and California, and they should not be allowed to close them down if it would be possible to keep them going and keep the men who have been assembled there in their jobs, and lease the plants at first until we are able to make a proper disposition.

Mr. LAMB. I would like to say at this point, that this is exactly the type of over-all problem I was trying to consider at the beginning of my remarks, that the refusal to make decisions in the situation immediately ahead is no way of avoiding a decision. As a matter of fact, it is a way of making a decision, and we must face up to the fact that these decisions must somehow be made, and it is for that reason that organized labor has taken the position that representatives of all groups ought to have a say with respect to matters of this kind. At least they should be consulted.

Senator JOHNSON. I think that that is largely true of all of the other plants, and my bill provides that this policy board determines with respect to other plants, but these $200,000,000 steel plants—and there are not a great many of them—might be very upsetting to plants that had already been established, had priority, and been operating for a great many years. These plants are built with public funds for a specific purpose, and whether they ought to come into civilian production immediately is a question that ought to be very seriously and carefully studied by somebody. It should not be turned over to an Administrator, some one man, as is done in the Colmer bill, and is done in S. 2065.

They simply turn it over to the Administrator and give him free hand, with a few little gestures. I do not mean it is upsetting the economy of the country, but it seems to me it is a matter that requires far more sudy than that, otherwise, we might unsettle and disorganize great segments of our present economy.

Mr. LAMB. I would like to say to the Senator, insofar as I understand his bill, it does not seem to me yet to contain enough provisions

for the sort of over-all programing which will be necessary in order to take care of the problem we are now discussing. The Congress of Industrial Organizations and United Steelworkers in particular are on record as wanting to see maximum operation of all existing facilities.

Now, I do not want to discuss an individal facility at this time for obvious reasons, because it would require consideration of its competitive position with others, and so forth. But the general principle is clear. We want to see just as much steel made in this country as can be used, and we believe the amount of steel which can and should be used in the coming years is in excess of anything that anybody in the Congress of the United States has so far been talking about.

It is the question of raising sights to these goals that I tried to emphasize at the beginning of my remarks, and it is toward that end that we believe this legislation should be designed, to take care of the additional six or seven million who will come out of the services, and who must be absorbed into the job pool.

Senator MURRAY. In other words, you think any legislation that Congress is going to undertake to adopt at this time should provide policies that would control the Government in the matter of the disposal of these plants?

Mr. LAMB. That is right, sir.

Senator MURRAY. The matter is being considered by our committee. I would like to ask you what you think of a provision of this kind in the bill? [Reading:]

It is the policy of the Government, and it shall be the responsibility of the administrator, to dispose of plants and facilities in such a fashion as to (1) promote the highest obtainable level of production and employment, and (2) contribute toward a balanced national economy by maintaining production and employment to the fullest extent practicable in plants and facilities located in industrially underdeveloped areas of the country.

Would you approve of policies of that kind provided for in the legislation?

Mr. LAMB. Generally, yes. I would like to make this one qualifying statement on behalf of the Congress of Industrial Organizations, not specifically the steel union. We are obviously opposed to the development of what, during the depression, was called runaway plants, which are merely trying to get out from under collective bargaining contracts.

With the exception of that we, of course, favor decentralization, in this sense that we favor the development of expanding industry, in new areas of the country, and consequently, if decentralization is not another name for the tearing down of industry in one locality in order to build it up in another, we are heartily in favor of it.

But our whole thesis, which I tried to state here today, is that we believe American industry is not only expandable, but that the average level of the American standard of living requires rapid expansion in the next few years, and it is not necessary to do away with these plants.

Senator JOHNSON. I am wholeheartedly in accord with the statement you just made, and outside of the integrated steel plants, the policy in my bill is to leave it to the board to go ahead and get these plants under way. The objectives, as cited here by Senator Murray, are of course, the objectives that I have in mind too, but I think that a board representing agriculture, labor, industry, and the consumer

is better qualified to work out the problem than is some administrator set up here with full power, and simply given a few pious gestures of this kind as to the policy. He is not compelled to follow those policies at all. He may follow them or he may not follow them. He may follow them in part, or he may not follow them all the way through.

Senator MURRAY. You mean to say that a policy that is provided for in congressional legislation is not binding on an administrator, and he could totally ignore it?

Senator JOHNSON. If it is specific, it would be binding on him, but the provision you just read is not specific. That is an objective. It is just the wave of the hand. That is all it amounts to. It does not tie him down. It does not compel him to do anything.

Senator MURRAY. I do not see how you can make that contention. I just read the main paragraph. It goes on, following that, by setting up the manner in which the Administrator should undertake to carry out the policy. I might read the balance of it. [Reading:]

(b) In carrying out this policy, the Administrator is authorized and directed to—

(1) make or cause to be made surveys of the technological and economic problems involved in converting Government-owned plants and facilities to civilian production as rapidly as war needs and conditions permit;

(2) obtain as rapidly as possible full information from the present operators of Government-owned plants and facilities of their intentions with respect to the future use of such plants or facilities;

(3) develop and administer a program of compiling and making available such information concerning Government-owned plants and facilities as will enable potential purchases or tenants to make advance plans concerning the acquisition and utilization of such property, as rapidly as possible after the passage of this Act and before the declaration of such plants and equipment as surplus;

(4) develop and carry into effect a program for the subdivision of Government-owned plants into smaller units to facilitate their acquisition by small business;

(5) develop and carry into effect a program for the redistribution of machine tools and other movable equipment and machinery among small business enterprises, particularly small business enterprises in underdeveloped areas of the country—

It seems to me that those are specific.

Senator JOHNSON. I am in favor of all of them. I think that is a very fine provision of the bill. I think that it is fine as far as it goes, but, after all, there is nothing binding about it.

Senator MURRAY. The final policies are here set forth [reading]:

(6) in determining the disposition of plants and facilities among competing business enterprises, give primary consideration to the levels of production and employment which will be created in the industry or industries affected by the various proposals submitted by such competing business enterprises; and

(7) consult and cooperate with State and local governments, industry, labor, agriculture, and other groups, both national and local, concerning methods of achieving the continued operation of Government-owned plants and facilities, and of assisting local enterprises, particularly in industrially underdeveloped areas of the country, in the acquisition and operation of such plants and facilities.

In the Pacific coast areas and the Northwest, there are two big steel plants that the people of that section of the country want to see continued in their operation.

Senator JOHNSON. Yes, and they are privately owned, financed with private money, and the Government has no control of them whatever, if you are talking about the Kaiser plants.

Senator MURRAY. I am talking about the Geneva, Utah, plant.

Senator JOHNSON. The Geneva, Utah, plant is a different plant. It has been constructed by Federal money, and belongs to the Government, and the Government holds title to it.

Senator MURRAY. If the State governments, labor, agriculture, and other interest in the West can have those plants carried on, it seems to me that they should be given the opportunity. The best opportunity for bringing about an expansion of employment lies in that area, and if those plants are to be continued, they ought to be continued there.

Senator JOHNSON. I agree with every word you say in that respect.

Mr. LAMB. In the first place, the steel workers are already on record with respect to the Geneva plant in a little pamphlet which they published sometime ago, which the members of this subcommittee may have seen. It is called Save Small Steel. In that pamphlet, it was proposed that the Federal Government should permit a private contractor to operate that plant for the production of the product which would be sold to small steel companies, in order to permit them, at a time when there was a great shortage of scrap, to get hold of the pig iron that they needed for their operations.

This would not be a matter of governmental operation, but merely a lease for operation, and it was looking in the direction of full utilization of the existing capacity, which had then, I believe, come into operation. I think several of these Government-owned and Government-built plants had been operated at that time, at the time the pamphlet was published.

To address myself to this section, Mr. Chairman, it seems to me these principles ought to be included in any legislation which Congress might pass. I ought to say, however, I think the provision made in the Murray-Kilgore bill with respect to the general subject of war mobilization, might well be applied to the subject of surplus property disposal.

In the first place, the inclusion of a separate board, such as the production employment board with respect to the disposition of surplus property, a board which would have more advisory and less policy-making responsibilities as would the Murray-Kilgore bill; and second, the provision of something corresponding to the Bureau of Programs, which was included in that bill and which would implement these policies by making the necessary studies. I see nothing in any of these bills, with the exception of this particular committee print, which makes provision for that very thing.

I am glad to see the Bureau of the Budget included in this draft, because it seems to me very important that the Bureau should be given a function. But the Bureau itself is not equipped to perform the function I am talking about, and in the absence of that, I would say Senator Johnson's bill was also inadequate, because his board will likewise need the kind of over-all knowledge and information necessary to implement its operations.

If I may, I would like to go back to an analysis of the bills, and perhaps to speed the thing up, I will direct it to the bill which is most likely to come to the Senate very soon, and would have to be considered and equalized with any legislation that the Senate committee might bring out.

Perhaps I had better take H. R. 5125, the Colmer bill, in order to meet the criticism.

Under paragraph (f) of section 2 of that bill, the term "contractor inventory" is used. As I understand it, this term, when used at another point in that bill, provides for pretty ready disposal on the part of the original contractor.

Over in section 8 (a) on page 8 of the Colmer bill it says [reading]:

> Any owning agency may dispose of any property for the purpose of war production, or authorize any contractor with such agency or subcontractor thereunder to retain or dispose of any contractor inventories for the purpose of war production, subject only to the regulations of the Administrator with respect to price policies.

Down below, in section (c), it says:

> Whenever he deems such action necessary to effectuate the objectives and policies of this act, the Administrator, by regulations shall restrict the authority of any owning agency to dispose of any class of surplus property under subsection (b) of this section.

In other words, the Administrator's right to restrict is optional, whereas the disposal of contractor inventory seems to be pretty unlimited.

Senator MURRAY. What bill is that you are reading from?

Mr. LAMB. H. R. 5125.

Senator JOHNSON. Dr. Lamb, I think that point is also covered in the termination of contracts bill. There is a provision in the termination of contracts bill which permits a contractor to take over the inventory, and, strangely enough, there is a provision that he may take it over and use it in his own manufacture, or he may sell it.

Mr. LAMB. That is what I am getting at, Senator. I am informed there are about seven to ten billion dollars worth of goods in this category. If this is the case, the effect on the market could be very serious indeed, and the goods are out from under the regulation of the Surplus Property Administrator.

Senator JOHNSON. That is also true. In my bill I take notice of that situation, and I let the contractor take such material as he can use in his own industry, but I do not permit him to sell it.

Mr. LAMB. It is the sale, of course, that I am getting at. That certainly ought to be regulated in my estimation, because that is part of the surplus property problem with which we are concerned.

Senator JOHNSON. It is a loophole that is provided by the termination of contracts law.

Mr. LAMB. Over on page 11, subsection (c) under section 11, I notice there is no provision with respect to a resale price and, of course, one of the things that is most troublesome in the disposal of surplus goods, or may become so, is the problem of resale. Unless the Administrator has some control over resale, you are going to get this stuff in the hands of speculators, and the control of those people is going to be very difficult, because they are going to be one removed, with no previous provision for controlling them in the original contract.

On page 12, subsection (b) of section 12, there is no system or practice established as to cooperative organizations which should be given an opportunity to fulfill their legitimate needs.

Some complaint has been made to the provision, I believe, in the Stewart-Taft bill with respect to the fact that people will stand in line and this will cause delay. I see no reason why the Administrator cannot take care of that and why Congress, in passing the act, cannot take care of the Administrator's operations by saying that they are given a limited period of time.

I presume that is taken care of in one or another draft of the legislation now before the committee.

Mr. GROSS. Do you favor making a distribution to local governments on the basis of need?

Mr. LAMB. Yes; definitely.

Mr. GROSS. Do you think the large metropolitan city that is already equipped with supplies should be given an opportunity to get in first?

Mr. LAMB. I am not in favor of blanket distribution of this. I think it is necessary to have some element of choice here. It is to set up, as far as possible, standards, and the needs standard is certainly a good one.

Senator MURRAY. On the subject of termination of inventories which you mentioned a moment ago, you do not think it advisable to permit the contractor to be permitted to take over the inventories which he has on hand, and dispose of any part of it to other concerns? I do not see how there would be any objection to that.

One of the main purposes in the termination of contracts bill was to clear the plants, to get the material off the hands of the Government, and if the contractor takes it, he has to take it at inventory prices.

I do not see how there is any danger of him taking it at the inventory prices if he had to sell it at inventory prices or better prices in order to protect himself from a loss.

Mr. LAMB. I was not addressing myself to the price question, but the disposal of these inventories and the effect on the general market. It is not merely an individual sale question, but a question of the quantities coming on the market and a regulation of the quantities coming on the market, and their being channeled through some central pair of hands.

Senator MURRAY. One of the things I had in mind in connection with the termination of industries was to get rid of them as quickly as possible. It seemed desirable that there should be prompt disposal of those inventories. That is one of the things that all of the witnesses dwelled on. It seems to me if the contractor took it over at inventory prices, there would not be much danger in regard to what would happen when he undertook to dispose of it.

Mr. LAMB. Insofar as those are unfinished materials, and the war is still going on, it is quite possible that the transfer of those materials from one user to another would not be a disturbing element in the market. I am thinking about X-day. I am thinking of a collapse of Germany and Japan and the general effect of that on the markets, and then it would be very hard to maintain the sales at inventory prices.

I would like to comment on the question of uniform and wide public notice, which is also on page 12 of the Colmer bill, in section 12 (d), and I would like to emphasize the fact that I do not know of a problem of disposal which is more important than adequate notice. It seems to me that the Federal Government ought to take the responsibility itself to make that notice public in some place where all can find it, and it also, perhaps, ought to include wide geographical distribution of that information. Otherwise public notice will not mean very much.

I understand there is a growing tendency for people to go into the business of supplying such information on a private basis to firms that

want the information. Whereas I can see some uses for that, it does seem to me that this may become a semimonopoly of a few individuals who peddle the information.

Mr. GROSS. There is no provision in the Colmer bill for points of distribution.

Mr. LAMB. That is one of the things I had in mind when I mentioned the need for wider public notice, and that also ought to include wider opportunity for people to buy at scattered points. I mentioned that earlier in my remarks.

I notice on page 13, in section 12 (d) also [reading]:

to collaborate with Smaller War Plants Corporation and to employ other appropriate means to give effect to this section.

Through the Colmer bill I find the tendency to substitute words like "collaborate" for any practical provisions, for assisting, for example, a small business to have real access to these materials.

In that connection also, on page 13, section 12 (g) [reading]:

to dispose of surplus property as promptly as feasible without fostering monopoly or restraint of trade, or unduly disturbing the economy, or encouraging hoarding of such property.

That is contrary to Senator Johnson's approach to the thing, which is that speed of disposal is not as important as a balanced disposition of the property so as not to upset the general economy.

Do I understand your position right?

Senator JOHNSON. That is right.

Mr. LAMB. I notice also, on page 13, section 13 [reading]:

Upon the request of the Attorney General, the Administrator or any other Government agency shall furnish or cause to be furnished to the Attorney General such information as the Administrator or any such agency may possess which the Attorney General determines to be pertinent to the application of the antitrust laws to the disposition of surplus property under the provisions of this act.

I do not see that the Attorney General is given any power in that, and certainly the Attorney General is put in the position where he has to take the initiative, rather than the other way around, which, as I understand it, is the way in which the Stewart-Taft bill provides for the operation of the Attorney General vis-à-vis the Administrator. Is that correct, Senator Taft?

Senator TAFT. Yes. That is why I wondered if you overlooked that proposal.

Mr. LAMB. That is different from the Colmer proposal.

Senator TAFT. It seems to me the Government ought to get opinions from their legal officer before advising anybody to violate the antitrust law. Incidentally, I think the Attorney General's office is willing to go that far now. Our bill required that that be submitted to them and they give an opinion, at least they give advice, not give an opinion, because they did not necessarily want to make it final.

Mr. LAMB. I understand they preferred to be in a position where they would say that in their estimation, it was in violation but they were not in the position of saying it was not. That is the general meaning.

Senator TAFT. Under this, they will have to advise the Government official having the matter in charge, as to whether it tends to promote monopoly or not. I am not sure but what we ought to go

on and put in an express provision in our bill that if they advise it is in violation of the act or tends to promote monopoly; it shall not be sold.

Mr. LAMB. I would think that was necessary, and I would add, also, what I think is perhaps in mind in the Stewart-Taft bill, and that is that the Attorney General should not be confined to criminal and civil provisions of the Anti-trust Act. That is to say, he ought to have some discretion with respect to the economic consequence of this looking toward an ultimate violation of the act.

Senator TAFT. It is intended to so provide.

Mr. LAMB. At any rate, the Colmer bill omits any reference to these matters. I also understand that the Attorney General has declared his willingness to undertake such investigation, if the law so requires him to do.

Senator TAFT. He shall advise the Administrator or disposal agency whether the proposed sale or transfer will either violate the antitrust laws or encourage monopoly or undue concentration of industry or commerce, or restrain competition substantially.

Mr. LAMB. That is what I am driving at, Senator, that that is not included and ought to be included in the Colmer bill.

Senator TAFT. I see.

Mr. LAMB. Under section 14 (a) it states [reading]:

No Government agency shall dispose of any surplus Government-owned plant for the production of synthetic rubber, or aluminum, which originally cost the Government $5,000,000 or more, except in accordance with this section or pursuant to an option therefor.

Well, I think that the use of the words "or pursuant to an option therefor" completely nullifies the rest of the language, and I, for one, think that the Attorney General ought to be consulted with respect to the validity of such options.

Senator TAFT. That does not nullify it, Mr. Lamb, except in accordance with this section and the section authorizing the lease for 5 years, and I think they report to the Administrator.

Mr. LAMB. It says [reading]:

Except in accordance with this section or pursuant to an option therefor.

Senator TAFT. You mean that there is already an option?

Mr. LAMB. That is what I am getting at. That lets him out, and I am saying they should certainly investigate the option.

Senator JOHNSON. I understand these options were entered into at the time that the plants were built with certain of the old companies. I do not know the nature of those options, but if they were entered into and if they were part of the contract, we could not very well abrogate that contract. That is my understanding.

Mr. LAMB. I should think you could give the Attorney General an opportunity to review it. This is all I am speaking for.

Senator TAFT. As I understand it, the Administrator does not wish to dispose of any plants. The present Administrator at least is very anxious that this question should be settled by Congress. It is a question of national policy.

Mr. LAMB. That may be decided but, as I understand, under this particular section he could, provided there were an option.

Senator TAFT. I do not think there are any options on the synthetic-rubber plants. There might be on the butadiene plants, in the

preliminary manufacture, I don't know. I don't think any rubber companies have an option on the rubber plants.

Mr. LAMB. I would still like to see this considered by the committee as a proposition to protect the Government and the people with respect to outstanding options.

Mr. TIMBERG. May I say the Stewart-Taft bill so provides?

Senator TAFT. Yes; we provide nothing should be done about options until it is submitted to the Attorney General.

Mr. LAMB. There is no such provision in the Colmer bill. I notice over on page 15 in subsection (c) (4) it says [reading]:

> After 6 months from the submission of a report hereunder, unless the Congress provides otherwise by law, the Administrator may authorize the appropriate disposal agencies to dispose of such property in accordance with the plan or program proposed in the report to Congress.

Perhaps 6 months is an adequate period of time after such report. I think the whole question of the length of time before disposal of certain types of properties takes place ought to be carefully explored. I have not come to a conclusion on it myself. I am not clear that as to some properties 2 years must pass before anything except leasing takes place. In property of this kind, 6 months may be an excessively short time, considering the length of time it takes to get legislation through.

To summarize my criticisms of the Colmer bill, as I see it, in addition to the contractor inventory provision which I mentioned before and the resale price omission, and the omission of any adequate provisions for small business, and this matter I just mentioned of the sale in 6 months, I think the bill certainly is an inadequate implementation on the whole question of full production. There is the requirement, for example, that plants be sold to those who operate, under certain qualifications in the Stewart-Taft bill, and I take it that that is also something that Senator Johnson has in mind. If it is not, I hope so.

Senator JOHNSON. Certainly.

Mr. LAMB. I see nothing in the Colmer bill on the subject of decentralization, and the provisions with respect to the antitrust laws are certainly too limited. There is no particular requirement with respect to the maintenance of records in the Disposal Office which are constantly open to the public. I think these various agencies and offices for disposal ought to have the closest scrutiny, and there is no reference in this to the disposal of agricultural lands, which is a question recently brought to the attention of Congress and must receive more consideration than it has to date. I hope when the bill comes out of the Senate committee that the right of the small farmer to acquire, and of the medium-sized farmer, for that matter, to acquire the lands that have been taken for war purposes be included.

Senator TAFT. Have you seen the provision of the Stewart bill on that?

Mr. LAMB. No, sir. I understand that one has been drafted, but I have not seen it.

Senator TAFT. It covers 4 pages in detail on that.

Senator JOHNSON. In connection with that matter, I have been told that the Public Lands Committee of the Senate has been studying this matter and expects to pass legislation on it, expects to bring a bill in

dealing with that subject only. So in my bill I simply have taken these public lands out of the surplus property and left it for that legislation. The Public Lands Committee thinks it is a subject that requires a special bill, and I rather agree with them.

Mr. LAMB. In summary of my general statement on these matters I would like to emphasize once more than any Administrator who may be set up should be hedged around with the utmost in responsibility; that not too much should be left to his imagination; and, in addition, he should be equipped with a board that is representative of these various groups that are mentioned, industry, labor, agriculture, and the public, or in Senator Johnson's bill, the consumers. I do not know how you would choose your consumer representatives, but such a board is indispensable and should be implemented by something like a bureau of programs, which should centralize this information. I also think that there ought to be an over-all statement in the bill, such as Senator Murray read a while back, of the principles which should be included in the draft that he is about to submit, and that this over-all proposition should state it very clearly.

What we are aiming at is a maximizing of post-war production. We do not want goods to be held off the market if by doing so it will threaten the stability of the market, but we want them to be put on the market in as orderly a manner as possible, and not in the hands of speculators.

We are particularly concerned about the disposal of plants, and we would like to have the plants tied up, insofar as possible, before their disposal or their lease until it is proved the operators will maximize their operations.

Mr. GROSS. Do you have any comment to make on the extent to which Government-owned plants might be usable in civilian production? There are many statements to the effect that, after all, most of them are built for war purposes and not for civilian use.

Mr. LAMB. I think that is one of the things that has been lacking here, just as we lack an inventory, which is a pure matter of counting, perhaps, in the minds of some people. We look at it from the standpoint of a much larger approach, namely, an assessment of what these plants can mean to American life.

I think we ought to take the surplus property as a great windfall which the war has brought us and not consider it as a menace to the American economy. It is a challenge, certainly, but it certainly ought not to become a menace. One of the things we can do is to explore the possibilities of public use. By that I do not mean public operation of plants for competition with private business, but of public use of both goods and facilities by State and local bodies, and possibly by certain Federal agencies, educational institutions, public parks and other institutions under such departments as the Department of the Interior or the Department of Agriculture, and so forth. All those seem to me to be possible outlets for some of this surplus material. Cooperatives and eleemosynary institutions, and so forth, are mentioned in some of this legislation, but I think what is called for here and what we haven't yet had is the use of cold imagination on the part of qualified authorities and duly constituted representatives of private groups working together. When I say "imagination" I do not mean "imaginary," I mean the most practical and down-to-

earth application of the thinking processes of these people to maximize production.

Senator JOHNSON. About all Congress can do is to provide the vehicle and opportunity and then a visionary will have to come along and take hold.

Senator TAFT. He says they are men with vision.

Mr. LAMB. I question whether Congress can shuffle off the responsibility. I am sure the Senator does not propose it.

Senator JOHNSON. I mean about as much as Congress can do is to make it possible, to provide the opportunity and whatever encouragement and incentive we can offer, and then let other men of vision come in, take hold of it and push it on to such conclusion as they may be able to.

Mr. LAMB. I would like to say in that connection, Senator, one more thing, and that is I think we ought to recognize this is not something we are going to settle by the passage of one bill, and consequently we must from time to time review this thing, in consultation with these outside groups such as are mentioned, so that they can be effective in the consideration of the thing.

I am through with my statement, Senator.

Senator JOHNSON. Thank you for this comprehensive review of the bills dealing with this very important subject. I appreciate your coming up here.

Now Mr. Luhrsen.

STATEMENT OF J. G. LUHRSEN, RAILWAY LABOR EXECUTIVES ASSOCIATION

Senator JOHNSON. Will you state your name to the reporter, Mr. Luhrsen?

Mr. LUHRSEN. My name is J. G. Luhrsen. The Railway Labor Executives Association.

After listening to my good friend, Dr. Lamb, I hope he has convinced rather than confused you. In general terms I will say that he is much more acquainted with all of the bills than I am. I have not had an opportunity to study them, exceping I did read this unnumbered bill, because I think it was introduced on August 3. I have not read your bill, Senator Taft, nor the Stewart bill.

Senator TAFT. It is Senator Stewart's bill, it really is not mine.

Mr. LUHRSEN. I think you are a cosponsor.

Senator TAFT. I am on the committee.

Mr. LUHRSEN. I haven't read it, and so I do not think I can speak intelligently on it.

I think I may make the statement for our association, at least, that I do not think we should be hasty in this. I do not mean to delay indefinitely, but certainly there should be greater opportunity to study the diversified opinions of these various Senators as well as Congressmen on the bills now pending, before we come to a final conclusion.

I am wholeheartedly in favor, and I know our association is in favor, of a committee composed of representatives of consumers, industry, agriculture, and labor, such as you have provided in your bill. Whether or not the authority you have granted them goes as far as it should, I am unable to say, but I believe that with such a set-up you will get a greater accurate picture of the whole situation than if you vest the entire authority in a single individual such as an Administrator. I do not think there was anybody much in favor of an Administrator last week when we talked about production in this unemployment problem; it seemed to be all in the other direction.

So far as being hasty is concerned at this time, I want to call your attention to the fact that S. 1718, I think, passed on May 3. That was the termination of war contracts bill. That is more than 3 months ago now, and we are still fighting with the other end of that bill, it just having passed the Senate on August 11 and now goes to the House, and the chances are it will go to a conference committee, and we do not know when it will pass.

Senator TAFT. What is that bill?

Mr. LUHRSEN. The Kilgore-Murray bill and the George bill.

Senator TAFT. I thought you had meant the contract-termination bill.

Mr. LUHRSEN. No, I am talking about the bill that passed August 11, last Friday. I think it is just as important, and to us I think more so, to give attention to that as well as this surplus property rather than to rush this surplus-property legislation through without giving it proper consideration and weighing it in all its phases.

I well recall the conditions that followed the last war, and I think some of you do. I can speak more intelligently concerning railroads, because that is my life's work; I have been in it fifteen years and I ought to know something about it. We had 1,222,000 railroad employees in 1920, shortly after the war, and we dropped to as low as 933,000, or less than a half in 1933. Certainly that curtailed the earnings of railroad men so that they were able to buy less and less as we progressed with the depression, and it kept on revolving. That is what will happen here unless something is done to give a fair balance to the picture as a whole.

We are interested in protecting the American people as a whole. We do not want anyone to run astray here and wild on some of this disposition of surplus property, giving it away, wasting it. I think much of that was done in the other war, especially with goods abroad.

I am interested very much in the fourteen-million-odd acres of land, I believe, which is now owned by the Government, or taken over by the Government, much of it since the war. Naturally I think the people who had to give it up, through condemnation or otherwise, should be the first ones to have an opportunity to get it back.

I have thought myself, as an individual opinion of my own, that all the servicemen who desire to and would be interested in farming and in agriculture, should be the first, following the original owners. I think some investigation, which would indicate how many would be interested, would be worth while as to whether you wanted to divide this land into tracts of perhaps 40, 50, or 60 acres. I think you will find many servicemen who would be interested in it rather than going into the city and be unemployed, and in that way absorb perhaps much of the property that is gong to be torn down, such as buildings, which might be suitable for barns or granaries or cribs.

I think the jeeps and other steel and iron products which have been produced during the war might be converted for usable imple-

ments on farms. All of these things require study. You cannot just throw it on the market.

Unless you do as you provide in your bill, Senator, I think Congress should retain much control before you just throw it in a wide-open market, in which there will be much speculation and waste, and the public will suffer from it in continued taxation.

I was in hopes, and I am sure my good friend Senator Taft from Ohio shares that opinion, because he was on the radio program with me and I heard him say so, that he is in favor of reduced taxes after the war, and I hope we can get to that point.

Senator TAFT. I hope so.

Mr. LUHRSEN. I do feel the biggest thing confronting us now is to have full employment, and we should strive toward that end above everything else, and we should make unemployment insurance, the disposition of surplus property and everything else secondary, because if you have full employment you need not worry about the rest, because it will absorb production, and the distribution will be such that everybody can advance and progress. That is what we ought to do in order to pay our debt.

Now I do not know as I can offer anything constructive. I know I am not as well posted on it as Dr. Lamb, but I agree with much of what he said. In principle I do not think we are apart at all.

I think, in principle, you Senators and Members of Congress want to do what will do the most good for the general welfare of this Nation. Whether your approach is right in this direction or the other I cannot say, but I do hope that finally you will reach a goal that will be fair, equitable, and just to the preponderant number of our people in this country, and when you do that I think we will all be better off.

That is all I have to say.

Senator JOHNSON. Thank you, Mr. Luhrsen. Are there any questions? If not, that ends the hearing. Unless someone else has something to offer I declare the hearing closed.

(Whereupon, at 3:40 p. m., the committee adjourned.)

APPENDIX

Replies to letter on educational uses of surplus war property, which is being addressed by the War Contracts Subcommittee to educational organizations:

STATE CHARITIES AID ASSOCIATION,
New York, N. Y., August 12, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Washington, D. C.

DEAR SENATOR MURRAY: I have your letter of August 5 asking my views, or those of the National Child Labor Committee (of which I am not now chairman), on the question of the disposition of certain surplus property owned by the Government, but no longer needed for war purposes, and in particular as to the possible use of some of such property for educational purposes.

Your detailed inquiries require some thought, but may I ask one question before trying to reply to them? You speak only of possible educational uses of surplus property. Would it be equally proper to think of possible health and welfare purposes to which it might be put? Possibly education should have a priority, so to speak, but it may well be that a considerable amount of the property might more readily be used for health purposes—either health in the sense of preventive public health measures, or health in the broader sense of medical care (if it is broader). Surgeon General Parran of the United States Public Health Service has, as you know, an expanding program, including now specifically tuberculosis care and prevention. Some of the properties might very likely be of immediate use to him.

Also, the welfare authorities having care of the aged and other destitute persons might very likely find some of these available properties very useful. The Federal Social Security Agency would doubtless be in contact with welfare authorities and agencies.

As always, and with great admiration for your many extremely effective services for public health, welfare, and education, I am

Sincerely yours,

HOMER FOLKS, *Secretary.*

WINNETKA PUBLIC SCHOOLS,
Winnetka, Ill., August 14, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

MY DEAR SENATOR MURRAY: Your letter to Mr. Carleton Washburne, concerning policies of distribution of surplus war property, has come to me as Major Washburne's successor. He is now getting the schools of Italy reopened. I am happy to have the opportunity of replying to your questions to the best of my ability.

1. Presumably, the property most useful to schools would consist of the various kinds of equipment and supplies which have been used in training for the armed services and for military work. Such property is in the hands of a number of governmental agencies. In many cases land and buildings, as well as equipment and supplies, could well be turned over to the schools and colleges to strengthen them for the enormous post-war task which lies before them, and to compensate for losses incident to relative reduction in school revenues during the war years.

2. Naturally educational work should continue in all branches of the military service and such services should continue to cooperate with public educational institutions for improvement and extension of democratic education, but even

if this is done the shrinking of the military arm incident to conclusion of the war will mean its inability to use the vast facilities of the wartime program.

3. Orderly, economical, and efficient utilization of surplus military educational resources calls for transfer of such surplus to an appropriate and competent agency. The Office of Education, in my opinion, is the best possible agency to use in this connection.

4. (*a*) Naturally, such property should be used by the agency in its own operation to the extent that it is needed.

(*b*) In the main, however, the task of the agency would be one of distribution among educational agencies and institutions.

5. (*a*) By such distribution the agency should aim primarily to assist backward areas, to promote research, to make available additional technical resources to those public schools, teacher-training institutions, and colleges which desire to make good use of them and are competent to do so.

(*b*) The departments of public instruction of the various States should have full power and responsibility to cooperate effectively with the Office of Education in making the distribution.

(*c*) Property that can be well used by the educational institutions of the country in carrying on the most basic function of Government should be transferred from the military department of Government to the educational department, or functions, as a backlog for peace, abundance, and necessary military defense in which education is basic, without any financial payment whatsoever. However, if this seemingly obvious principle is not recognized and there is a price, certainly it should be well below the market price. In no case should dealers be permitted to speculate in and profit from this situation.

(*d*) See above.

(*e*) See above.

6. (*a*) No; by no means.

(*b*) Yes.

(*c*) Yes; by all means.

(*d*) I certainly think so.

Respectfully yours,

S. R. LOGAN, *Superintendent.*

GIRL SCOUTS.
New York, N. Y., August 10, 1944.

Mr. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, United States Senate,
Committee on Military Affairs, Washington, D. C.

MY DEAR MR. MURRAY: Your letter to Mrs. Means, our president, has been referred to me as Mrs. Means is now in the West and does not expect to get to New York until late September.

Many of the questions in your letter could not be answered by me without a considerable period of consultation and exploration which, unfortunately, it would not be possible to do in the 2-week period which you allot to us; but the whole matter is so important that I shall do my best to reply to as many quesions as I can and hope the information will be useful and practical

For your convenience, I will use the paragraph designations which appear in your letter:

1. The types of surplus property which the national organization and its local units would find extremely useful would be: Office equipment; motor vehicles, especially such as light trucks; special educational apparatus; land and buildings that might be useful for educational activities. We are developing intensively a preflight aviation course for senior Girl Scouts, and it is possible that in connection with this some aeromotor supplies and electronic devices might be extremely useful. We do not know what Federal Government agencies would be in possession of these classes of property.

2. We are not altogether sure that we understand the implications of this paragraph, but if our interpretation is correct, we would say that, where Federal agencies were in possession of propery such as land and buildings which could be used by local groups for Girl Scout camping, arrangements for program participation could be worked out along lines such as have previously been done where Girl Scout local groups have used park property in State or National areas. In some of these areas they have worked with the authorities on conservation programs such as tree planting, flood control as related to small streams, and elimination of pests.

3. We would not be able to answer this question intelligently, except to say that it is obviously easier in many ways to deal with a single agency than with a number of different ones, sometimes with varying points of view; but we should try to adapt ourselves to whatever procedure seems most expedient for the greatest number.

4. (*a*) We think this question has been answered under (2) above.

(*b*) It is our opinion that if a single Federal agency were authorized to distribute property among educational agencies and institutions, the extent of its distribution should be governed by previously agreed upon criteria, and one of these might be extent of use; for example, if a camp property were involved, the agency, we think, should be able to outline plans for the use of the property as nearly as possible on a year-round basis, with due consideration for certain conditions of climate.

5. This question and its subsidiary questions are especially those which we think would require a great deal of study and consultation, but which I will try to reply to in a general way:

(*a*) The purposes of the distribution might well be to assist in developing activities in backward areas, but we do not see why this would preclude promoting research.

(*b*) We do not have the information to make any reply to this inquiry.

(*c*) If the property is to be distributed at current market prices, most agencies would be precluded from participation in the plan since it apparently would mean serious capital expenditures. Possibly you may know that local councils of Girl Scouts in a great number of communities derive their support through allotments of the community chest. It is understood that councils do not undertake special money-raising activities except with chest clearance. This would mean asking the local chests to raise substantial sums of money in addition to the usual chest budgets, and I should think they would have to be consulted in the matter, and made a part of the plan before their approval could be assumed.

(*d*) If equipment which has been changed in design or has become obsolete is made available, we would think that this should be done at nominal cost. How otherwise could it be disposed of?

(*e*) Conditions laid down with regard to maintenance and use would vary so greatly that we do not feel we can make an adequate reply to this question.

6. Most of what is asked about the terms under which such property might be disposed of has been answered above. We really have no opinion because we do not have the information on such matters of policy as to whether an overall Federal administrator be given authority or not.

Sincerely yours,

MRS. PAUL RITTENHOUSE, *National Director.*

TEACHERS COLLEGE OF CONNECTICUT,
New Britain, Conn., August 10, 1944.

Mr. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, United States Senate,
Washington, D. C.

DEAR MR. MURRAY: I am very glad indeed to reply to your inquiry of August 5 concerning plans for the disposal of surplus Federal property.

1. The types of surplus property which are most needed by colleges are aeronautics equipment, office equipment, science equipment, and motor vehicles. In all probability, the military forces and the newly organized governmental departments are most likely to be in possession of the above classes of property.

2. The Federal agencies who are now in possession of such surplus property might well list the items which are available to educational institutions, and to make possible the acquisition of such by colleges, universities, high schools, and other special educational institutions.

3. I would greatly favor vesting the authority for the disposal of surplus property in the Office of Education and that all matters dealing with the disposal through the Office of Education be channeled through the various State departments of education.

4. (*a*) I would not favor any single Federal agency being authorized to hold surplus property for its own operations.

(*b*) The single Federal agency (United States Office of Education) should be the sole agency to distribute property among educational institutions.

5. (*a*) I would suggest that the purposes of distribution of such property be as follows:

1. To promote new educational developments such as aviation education, science education, etc.

2. To encourage further development of education in localities which are not now able to adequately finance the purchase of educational equipment.

(*b*) The distribution should be handled exclusively through each State department of education.

(*c*) The educational users should pay a marked-down price for such Federal surplus property.

(*d*) Some educational equipment which is obsolete might well be used for educational purposes. For example, older types of airplane engines might well be used in classes in vocational education, industrial arts, and science. A new airplane engine would not be entirely necessary.

(*e*) The local board of education or the governing body should be entirely responsible for the maintenance of such equipment.

6. (*a*) The Office of Education should in no way be limited in the acquisition of Federal surplus property through appropriations or otherwise. The Office of Education should serve as a clearinghouse and should ascertain through questionnaire or otherwise the educational equipment which is needed in the various States.

(*b*) Covered in (*a*) above.

(*c*) The Office of Education might well accept the opinion or statement of the chief State school executive as to the need of such surplus property.

(*d*) If an over-all Federal administrator is appointed to determine the allocation of surplus property for educational uses, public uses, and commercial disposition, then it would seem to be an excellent investment to authorize the United States Office of Education to first determine the extent of educational needs.

I hope that this reaction will be helpful to you in considering this important problem.

Sincerely yours,

HERBERT D. WELTE, *President.*

NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES,
Washington, D. C., August 11, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: In reply to your letter of August 7, 1944, I desire to bring to your attention a statement recently submitted by the director of our legislative and Federal relations division to the House Committee on Expenditures in the Executive Departments. This statement, as you will note, has to do with the problem of war surplus property disposal. It answers a number of the questions raised in your letter.

I now proceed to treat each of your questions. The number of each of my observations corresponds to the number of the question you ask.

1. See enclosed statement.

2. If I understand this question, I doubt very much that I have the necessary information to justify the expression of an opinion on my part.

3. Yes, in a single Federal agency, preferably the Office of Education, which should receive surplus property made available for educational purposes.

4. (*a*) The least possible.

(*b*) As much property as possible should be distributed.

5. (*a*) Chiefly to equalize educational opportunity—to build up the low spots. It would be impossible, of course, for highly specialized types of equipment to be distributed according to the principle of need.

(*b*) The United States Office of Education should work through regularly established State educational agencies.

(*c*) See the enclosed statement.

(*d*) If equipment is without learning value, the schools should not be cluttered up with it.

(*e*) No resale by a school or institution. The materials should be subject to recapture in the event of a national emergency. Title to materials might remain with State agencies.

6. There will be need for an umpire on the Federal level. One of its functions would be to determine the relative needs of schools, public hospitals, and so forth, and make some sort of an arbitrary decision as to the amount of equipment and materials that would go to each. Education should be represented in the determination of this policy, and this should be true with other agencies that are involved.

(*a*) No.

(*b*) Yes.

(*c*) Yes.

(*d*) Discretionary judgment must be lodged somewhere. However, it might be desirable for the Federal Administrator to have the advice of a board made up of recognized substantial, fair-minded citizens.

I want to add that educators throughout the Nation are deeply interested in the disposal problem. We greatly appreciate the thoughtful consideration which we hear you have been giving to education in relation to the disposal issue. The facilities of our association are entirely at your disposal as you work on this problem.

With kindest regards, I remain,

Very truly yours,

WILLARD E. GIVENS, *Executive Secretary.*

DISPOSAL OF GOVERNMENT SURPLUS PROPERTIES AND MATERIALS IN RELATION TO PUBLIC EDUCATION

(Statement submitted to the House Committee on Expenditures in the Executive Departments by R. B. Marston, director, legislative and Federal relations division, National Education Association, August 9, 1944)

PROPOSAL

In the disposal of war surplus properties and materials appropriate for educational use the National Education Association requests favorable consideration of the proposal that such properties and materials be transferred without cost to tax-supported schools, colleges, and universities. Like considertaion is requested, in the event such disposal cannot be extended privately supported and privately controlled education, for the proposition that educational institutions in this category be authorized to purchase surplus materials at nominal costs.

QUANTITATIVE ASPECTS OF SURPLUSES

The proposition that surpluses having educational use should be transferred without cost is based in large part upon the belief that in many kinds of materials the quantity will be of such magnitude that it cannot all be disposed of through sales without possible grave injury to our economy, resulting in cut-backs in production and consequent reductions in employment.

It is particularly these surpluses-beyond-sales to which the proposal of the National Education Association is intended to apply. To this there is one exception; viz: Surpluses that could appropriately be applied to the replacement of materials and supplies which have depreciated in a marked degree, or been entirely consumed by the war effort of our schools, colleges, and universities.

The magnitude of expected surpluses, while not subject to exact definition as far as information available to the National Education Association is concerned, is estimated to range somewhere between 50 and 112 billions of dollars. This is in pronounced contrast with surpluses that existed at the close of World War I. On November 12, 1918, the estimated value of surpluses was reported as six billions of dollars, up to that time the largest surplus stockpile ever accumulated in the history of the world. This war is on a vaster scale. Its demands in terms of materials and supplies are without parallel.

NATURE OF EDUCATIONAL SURPLUSES

Many of the surplus items will have their most direct use in the field of education.

Among these are school desks, folding chairs, blackboards, paper, books of many kinds—textbooks and library books—chemicals usually employed in the chemistry laboratories of high schools and colleges, experimental equipment for physics laboratories, visual aids such as projectors and many films that are of educational value, duplicating machines, first-aid items such as bandages and antiseptics, shop equipment such as lathes, saws, and the like, with quantities of supplies employed in teaching welding, the metal trades, electrodynamics, aerodynamics,

automobile mechanics, radio, food processing, and so forth. It is likewise proper to note that in many phases of the educational program of the armed services, transportation equipment has been acquired and employed, much of which would be equally useful in the operation of the public schools of the Nation.

The foregoing are examples of surplus equipment and supplies which have been acquired in large quantities by the armed services for educational purposes. Similar items, not acquired by the armed services for immediate instructional service, but employed under actual combat conditions, would have equally direct and important applications in the on-going educational program of the Nation's schools.

PYRAMIDING OF SCHOOL NEEDS

Meanwhile the war period has witnessed one of the most rapid accumulations of school needs in the history of our country.

In the first place, the effort made by the schools in training 9,000,000 workers for war jobs has been costly to existing school plants and their equipment. In many instances schedules have been operated on a 2-, 3-, and even 4-shift basis. Around-the-clock programs have not been uncommon, particularly in school shops. Some estimates that have been made in the case of round-the-clock programs indicate that the wear and tear in specific instances on plant and equipment was multiplied from 4 to 10 times of normal usage. This has resulted in a rate of deterioration without precedent in the history of public education. It is also true that school supplies on hand at the beginning of the war period have in a great many cases been depleted in support of national service.

In the second place, the system of priorities necessarily embodied in the war effort has prevented boards of education and the governing bodies of colleges and universities from making normal replacements from year to year. The school-bus fleet of the Nation is fast approaching the end of its usefulness. Commerce classrooms are filled with typewriters that cannot much longer be kept useful through repair.

The result of the operation of these two factors—(1) excessively rapid depreciation and (2) priorities—has been an accumulation of school needs of critical magnitude, worthy of the most sympathetic understanding and careful consideration of Federal Government.

LAG IN SCHOOL REVENUES

Throughout the Nation the most widely employed base for school support is real estate. It is a matter of common knowledge that the tax value of real estate has not increased in proportion to rising school costs. This means that the fiscal ability of boards of education has relatively decreased in recent years.

With relatively less to spend, education has been compelled to invest larger sums in personal services. Teachers' salaries, while still greatly in arrears of the mounting cost of living, have increased approximately 10 percent over the war period. Wages of maintenance employees have gone up. The cost of such supplies and materials as have been available has climbed as well. These inescapable factors have left less for boards of education and the governing bodies of our colleges and universities to spend in many lines of school supplies and equipment. In fact, were the market to become immediately abundant in all kinds of goods needed by the schools of the Nation, it would be impossible because of lack of funds for educational purchasing agents to take care of school needs that in increasing amounts have developed since Pearl Harbor.

It may now certainly be expected that education, if it should continue to be limited to existing plans of State and local support alone, will be forced to spend the next decade attempting to restore plants and equipment to their 1941 status. The fiscal ability of boards of education, and similar bodies, is inadequate to meet both equipment and personnel demands.

The gap that exists between what schools can afford and what they need is rapidly widening. It stands as a serious threat not only to the individual welfare of American youth but at the same time to the general welfare in the days ahead.

This gap may at least be partially closed if surplus materials, appropriate for educational services, are made available to schools.

SAFEGUARDING PRODUCTION AND EMPLOYMENT

It would obviously be unsound to dispose of educational surpluses in a way that would endanger the normal flow of trade between schools and industry. Were surpluses employed to reduce the normal buying of school purchasing agencies the effect would be to close some of the Nation's factories or else harmfully to curtail normal production and employment. This undesirable effect should be, and can be, avoided in giving effect to the National Education Association proposal through good judgment in the administration of whatever provisions on this score Congress itself may deem just and reasonable.

With this in mind, it is proposed that, in demonstrating eligibility to receive transfers of materials without cost from the Nation's stock pile of surpluses, a school system or any institution of higher learning should show substantial evidence that its plan of spending, as set forth in its budget, contemplates normal operations on the basis of its past experience.

PRINCIPLE OF NEED IS UPPERMOST

In giving effect to the proposal advanced for committee consideration it is to be noted that the emphasis throughout is on the principle of need, with special reference to actual needs which exist after school purchasing agencies have utilized their normal fiscal powers.

The National Education Association is vigorously opposed to any system of surplus disposal which would in effect result in the indiscriminate allocation of properties and materials to school systems or to institutions which might not exercise due diligence or sound judgment in appraising their needs.

In any event, such estimates of need should be carefully appraised by properly constituted responsible State authorities and, following that, as necessary, they should be subjected to the cooperative evaluation of State authorities and a Federal agency—such as the United States Office of Education—to be named by the Congress.

In the distribution of surplus materials on the basis of need, stress is placed upon the principle that such materials should first go to the school systems and institutions of higher learning in which needs are most urgent, thereafter in descending order as may be determined by State and Federal agencies authorized to evaluate the evidence of needs provided by such school systems and institutions. It is in this connection important to recognize that the chances against equitable distribution within a State are as great as those that would exist between States. For that reason it is of the highest importance that legislation specify both State and Federal agencies to govern the allocation of materials under such rules and regulations as may be approved by the Administrator. This arrangement is good business as contrasted with what might otherwise become nothing more than charity for the reason that placing surplus materials where they are needed but have not been used before will undoubtedly tend to build an expanding market.

BREAK-DOWN OF PROPOSAL

The proposal of the National Education Association, as originally stated, and with the foregoing considerations in mind, recommends that disposal of surpluses appropriate for educational uses be generally patterned as follows:

1. That properties, equipment, supplies, and other materials acquired for educational services by the armed forces be transferred to the United States Office of Education for allocation without cost to the States on the principle of demonstrated need.
2. That after school purchasing agencies have shown evidence of planning for normal business, as determined by past experience, such school systems and other institutions be given prior call upon surpluses appropriate for educational use, subject to demonstration of fair and reasonable need.
3. That in the event such transfers cannot be made without cost to privately supported and privately controlled school systems and institutions, such school systems and institutions be permitted to purchase appropriate materials at a nominal cost.
4. That the Congress fix responsibility for administration of the disposal of educational surpluses in a Federal agency, e. g., the United States Office of Education, subject to such rules and regulations as may be approved by the Federal Administrator.

PROVISIONS OF H. R. 5125 ARE INADEQUATE

The provisions of H. R. 5125 are exclusive of some of the factors presented in this statement.

Section 11 (a) reads: "Wherever any Government agency is authorized to dispose of property under this Act, then notwithstanding the provisions of any

other law but subject to the provisions of this Act, the agency may dispose of such property by sale, exchange, lease, transfer, or other disposition, for cash, credit, other property, or otherwise, with or without warranty, and upon such other terms and conditions as the agency deems proper.

"(b) Whenever the Government agency authorized to dispose of any property finds that it has no commercial value or that the cost of its handling and sale would exceed the estimated proceeds, the agency may donate such property to any agency or institution supported by the Federal Government or any State or local government, or to any nonprofit educational or charitable organization, or, if that is not feasible, shall destroy or otherwise dispose of such property."

The foregoing provisions make liberal grants of authority to the Administrator in point of disposing of surpluses but these grants are in no wise restricted, as indeed they should be, by consideration of such factors in relation to education as (1) demonstrated need, (2) the obligation of Federal Government to replace school equipment and supplies and to offset depreciation of school plants resulting from the war effort, (3) inability of school systems and institutions of higher learning to make such replacements out of their own current revenues, (4) application of the principle of priorities to encourage the return of education to at least its pre-Pearl Harbor status in point of equipment, materials, and supplies, and (5) designation of a Federal agency, on the national level, to receive transfers of surplus properties, materials, and supplies on behalf of education and to cooperate with the States in screening analysis of school needs reported from the localities.

It is, in conclusion, proposed that the grants of authority extended the Federal Administrator in section 11, of H. R. 5125, be retained, and that they be supplemented in such manner as the committee may recommend and the Congress finally determine to provide for the arrangement set forth in the section of this statement entitled "Break-down of proposal."

THE NATIONAL COUNCIL FOR BUSINESS EDUCATION,
August 10, 1944.

Senator JAMES E. MURRAY,
Committee on Military Affairs, United States Senate,
Washington, D. C.

MY DEAR SENATOR MURRAY: First, let me say that the National Council for Business Education wishes to express its confidence in a Senate committee which seeks to get the point of view of the people in coming to a decision as far reaching as your committee work encompasses. The answer to the questions are largely my own point of view inasmuch as it is impossible at the time available to secure council action on the questions.

Question 1: (*a*) Moving-picture equipment, especially projection machines and screens for use in schools where visual aids are not now available, especially in many Southern States.

(*b*) All types of office equipment for use in instruction of office workers. This would include typewriters, duplicating machines, computing machines, filing cabinets, etc.

(*c*) All kinds of machine tools and machine-shop equipment, including testing equipment and motors, etc., for use in trade and industrial classes.

(*d*) All kinds of radio equipment and repair materials for use in instructing in the radio trades.

(*e*) Air-conditioning equipment for use in teaching air conditioning to students.

(*f*) Army camps that are near large cities which can be turned into agricultural and industrial institutes of a junior-college grade where students can be housed and where the work of farming and many types of industrial training could be carried on. This will assist greatly in getting young people out of the congestion of the cities and into useful training programs. Never again will we have such a fine opportunity of making use of Army camps.

Question 2: In my opinion, the various Federal agencies should not be involved in the utilization of this material. It should be turned over to the educational departments of the various cities to be administered and handled by them with the provision that all races and groups shall have materials and property on an equal basis.

Question 3: In the distribution of the materials it would be highly desirable for the United States Office of Education to have the responsibility for channeling it out through the States by securing approval of Congress for such action.

Question 4: If a Federal agency is designated to hold surplus property it should not use them for its own purposes and there should be an equal distribution of them in terms first of the ability of a State to purchase such equipment. In other words, it would not seem advisable to give surplus equipment to a wealthy State when poor States are in great need. There should be no other criterion for such distribution.

Question 5: (*a*) To promote education in those geographical areas where it is evident that local or State funds cannot be secured to further promote education on account of low economic ability of the State.

(*b*) The distribution should be handled through the State departments of education.

(*c*) The property should be distributed without cost to the public schools. Only publicly supported schools should receive such property. The people of the country have paid for the material once. It would be contrary to public policy to charge them for it again by making the State pay for it for education purposes.

(*d*) Even though equipment has been changed in design and even though part of it is obsolete, there is no reason why such equipment cannot be utilized for training purposes. Such equipment is far better than to have none.

(*e*) The property should be turned over to the States with the understanding that the State is to bear all expenses in connection with its maintenance or use. None of the equipment should be sold by the State or should it be turned in to manufacturers for new equipment for at least 7 years. If it is to be discarded it should be turned back to the Government or at least secure Government approval.

Question 6: The policy should be that all Government property should be first allotted to educational purposes if there is a need for it because of the heavy drain on local communities during the past few years for taxes, etc., which makes it very difficult to secure funds for equipment and instruction material.

(*a*) There is no sound argument for limiting the amount of property to be allotted to a State except that all States now below the median in ability to pay for education should be given property before any of the States above that median should receive any.

(*b*) Yes.

(*c*) By all means. There is no sound reason why Federal property should be allocated to commercial disposition when tax-supported agencies such as the public schools are in dire need of it.

(*d*) No. Let the United States Office of Education have a list of the specific properties which might be available. Have them send this list to every school superintendent in the United States asking them to make a list of the things they can use and would like to have. Then for God's sake let them have it without any strings attached, except that no one group or race shall have sole right to it. I will wager that you won't have much property left for a Federal administrator to have to handle. Let the Army and Navy people handle the details.

Sincerely yours,

HAMDEN L. FORKNER,
Professor of Education.

NEW YORK STATE COLLEGE OF AGRICULTURE,
CORNELL UNIVERSITY,
Ithaca, N. Y., August 14, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, United States Senate.
Washington, D. C.

DEAR SENATOR MURRAY: Thank you for the opportunity to present the views of science teachers regarding property acquired for war needs which may be put to educational use. My answers to your proposed questions follow:

1. The types of surplus property which are most likely to be useful in educational activities are the following:

(*a*) Projectors: sound and silent movies, standard slides, 2 by 2 slides, film slides, stereoscopic views, and reflectoscopes; cameras, including both moving picture and still cameras; photographic enlargers, both for regular views and stereoscopic views; stereoscopes and stereoscopic viewers; stereoscopic cameras; special adapting lenses for telephoto work; microscopes and binocular microscopes; small range finders which may be used for the determination of distances

as needed in photography or camping; public address systems, including microphones, recorders, and record players; shop machines, such as jig saws, drill presses, lathes, planers, and the like; duplicating machines such as mimeographs and other multigraph equipment; office equipment such as files, desks, typewriters, and calculating machines; meteorolgical equipment; portable buildings which may be used on school land for storage of supplies and equipment; diving equipment including rubber boats and small water craft which may be used on field trips for the study of biology of the waterways; trucks and trailers for transporting students to biological and geological areas in order to study these materials first hand as well as transporting exhibits and other instructional materials to teachers at institutions or in their own school; jeeps and small tractors for the working of small school farms or gardens and for the transporting of equipment to work areas.

These items of equipment are now assigned to Army, Navy, and Marine units.

2. Federal agencies in possession of such surplus property should participate largely by releasing appropriate materials for educational purposes.

3. Responsibility for the disposal of surplus property to educational uses may well be vested in the United States Office of Education but it would be well to have an advisory committee which would represent all the educational interests.

4. (*a*) The single Federal agency authorized to hold surplus property for educational uses should be allowed to use the property directly as needed in its own operations but again, as judged by the advisory committee.

(*b*) The Federal agency should authorize the distribution of property among educational agencies or institutions on bases which would be developed by the advisory committee.

5. (*a*) The purposes for which the surplus property should be distributed among educational institutions should be to assist in developing educational activities wherever these materials may serve in the interests of education. Many backward areas would not be interested in using equipment, therefore it would be unwise to distribute any more than will be well used. One of the great needs in addition to promoting research would be to train and retrain teachers. During the last few years a very large number of poorly trained teachers have been brought into the schools. There is a very great need for the retraining of these teachers and much of this will have to be done on the job.

(*b*) The State superintendent of public instruction or the board of regents may be the State agencies which would cooperate in the distribution of property. However, it would be well to have a State advisory board in order to insure that the distributions will be made in the interests of all concerned.

(*c*) Used equipment should be distributed to educational institutions that can make good use of it for a delivery charge only. Schools that have the necessary equipment but would like more and schools that have the means for the purchase of equipment over and above the basic needs should be privileged to buy the additional equipment at a retail price. Buyers who are not interested in the use of the equipment directly but would like to resell the material to others should be required to pay a price higher than that charged when sold to any educational institution. This would avoid the profiteering on surplus property through reselling to schools.

(*d*) Obsolete equipment should be assigned to schools for an indefinite length of time. In other words, it should become the property of the school.

(*e*) It would de difficult to check on maintenance and use of equipment. I think it would be well to make certain that the school needs and would make wise use of the equipment and then iot atempt to make any requirement regarding maintenance or use. Resale should not be permitted but recapture by the Government would be an appropriate condition. However, there should be a limited time period of 5 or 10 years beyond which recapture would not be operative.

6. (*a*) Surplus property acquired by the Federal agencies should be on the basis of needs for public service rather than on the basis of appropriated funds.

(*b*) It would seem unnecessary to have the transfer of property authorized by Congress if the responsibility for distribution is given to such an agency as the United States Office of Education.

(*c*) The Federal agency should be given the opportunity to satisfy the full needs of Federal as well as public education before the property is allocated to commercial disposition.

(*d*) An over-all Federal administrator with a staff representing the various interests concerned should be given authority to determine the allocation of surplus property as between educational uses, other public uses and commercial disposition. Again it may be well to have an advisory committee working with the Federal administrator in the discharge of such responsibility.

I trust that these suggestions may be of some use to your subcommittee.

Sincerely yours,

PHILIP G. JOHNSON,
President, National Science Teachers Association.

MISSOURI PROVINCE EDUCATIONAL INSTITUTE,
St. Louis, Mo., August 14, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: I have received your communication of August 5, addressed to my predecessor, Very Rev. Peter A. Brooks, S. J., relative to disposal of surplus Government property. Permit me to express my views of disposal policies as follows:

1. First opportunity, in my opinion, should be given to nonprofit and charitable organizations and institutions. Therefore, it does not appear to me to be wise to allocate certain properties for disposal to educational institutions as distinct from other nonprofit and charitable organizations and institutions, such as orphanages, retirement homes for the aged poor, hospitals, clinics, etc. The types of property used by institutions classified as educational and by these institutions would be the same.

2. Consequently it would not seem appropriate to assign to the United States Office of Education the disposal of this property, because that agency would not be acquainted with or in contact with many organizations and institutions which have the greatest need.

3. I would recommend that a Federal agency handle the disposal. Federal agencies throughout the war period have been dealing directly with a wide variety of private and tax-supported institutions under most agreeable relations. State agencies are generally inclined to act with too little understanding of so-called private agencies and institutions and to look upon themselves as agents particularly of tax-supported and so-called public institutions. Further, the closeness to State agencies opens the way to pressure and favoritism.

4. The types of property in which nonprofit and charitable organizations and agencies would seem to be interested are as follows: Kitchen and mess-hall equipment, barracks and housing furniture, plumbing of all kinds, lighting fixtures, classroom furniture, library equipment, chairs, tables, desks, blackboards, visual education, and sound equipment, etc.

5. All types of educational institutions ought to be given opportunity to purchase surplus property on an equal basis. Therefore grade schools, mission schools, vocational schools, high schools, seminaries, colleges, universities, research institutes, etc., should participate.

6. It would seem most reasonable that a fair price should be set on items of property. The price should be determined by these factors:

(*a*) Condition of the property and period of use;

(*b*) Demand for that type of property;

(*c*) The nonprofit nature of the agencies benefiting, which agencies in turn save enormous amounts of taxes; and the fact that the property is distributed among the people who paid the taxes to purchase it, rather than to individuals who will make a profit;

(*d*) The desire to dispose of the property in the shortest possible time. Long, drawn-out procedures will be costly and absorb much of the income, and items of property will become obsolete. A very reasonable price scale which would make rapid disposal possible would seem most economical.

7. Sale should be a final transaction of such a nature that no item of property can be reclaimed by the Government.

8. No resale of surplus Government property should be permitted or there will certainly be abuse in the interests of individual or institutional profit.

9. It is my feeling that the more rapid and the more simple the disposal can be made, the better for the Government and for the people who paid for the property. If there are delays the institutions and organizations concerned will not be able to wait to fill present great needs and will purchase new property.

Secondly, the Government will find huge stores of surplus property on its hands and will be forced to release it at low bids to commercial dealers.

I am grateful to you for the opportunity to express my views. If I can be of any further assistance, please do not hesitate to call on me.

Very sincerely,

JOSEPH P. ZUERCHER, S. J., *Provincial.*

THE NATIONAL COMMITTEE FOR MENTAL HYGIENE,
New York, N. Y., August 11, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: I am glad to respond to your letter of August 7 with respect to the disposition of Government property. It is difficult for a person to respond to your letter without having considerable information as to the types of property that are under consideration, and I do not suppose any one person has that information.

I would propose, however, that with suitable property the following useful application of it might be made:

There is a need by the Veterans' Administration for temporary convalescent hospital, institution, or colony for psychoneurotic cases, something along the line of the Mill Hill Hospital in England. This would require living quarters, dormitory, etc., assembly, recreation, and occupational facilities. A camp or industrial village might be so converted, particularly one with many cottages.

There is also need for industrial colonies for mentally defective persons. Areas surrounded by good farm land would be particularly appropriate. Of course, for mentally defective or mentally ill persons, fire-resistant or fire-proof construction is especially suitable. While cottages are useable, somewhat more congregate housing is in order.

There are also certain types of mental illness for which a similar colony plan could be adapted.

If there are any such properties in Puerto Rico there is a special need for them there. Puerto Rico has no provision at all for the mentally defective of its 2,000,000 population. They are, for the most part, kept in the back rooms of their homes. They need a colony with sizable acreage.

I should expect that the properties useful for the above would be in the War or Navy Departments or the Office of Production Management, but I am not well enough acquainted with the latter to be sure. What I am thinking about is industrial locations to which the Government holds title.

I do not think that the property should be operated by the Federal Government for the uses listed above excepting as they are already Federal functions. I think they should be transferred to State authorities on the basis of a submitted plan and commitment for their use. There should be an advisory committee of psychiatrists formed to pass judgment upon any plans submitted, for they will involve many novel features and depend heavily upon mature judgment rather than fully definable regulations. It would seem to me that the Federal Security Agency, including as it does the Public Health Service, Vocational Rehabilitation Authority and the Office of Education, would be the most appropriate Federal agency to administer the use of such property, but that there should be a recapture arrangement to apply if the service for which the transfer was made is allowed to deteriorate. I think the transfer of property should be made only to public agencies.

I think research should be a legitimate part of the plans in support of which the property would be transferred.

I think the distribution should be kept in Federal hands and the State be required to be the intermediary, although a county might be the ultimate agency to get the advantage of the transfer.

I think the transfer should be made subject to regulations set up by a conference of representatives of the States, but that no transfer of funds from States to Federal Government should be required. Unless some good regulations were set up there will be unnecessary embarrassments due to multiple demands for the same property. This would involve establishment of priorities, among which I think the evidence of need should appear at the top.

I think the property should be restricted so that there would be no resale, except by Government consent and through regular Government channels. Since

the readaptation of the property can result in many ill-conceived projects I think the regulations should be rather stiff in order that it may be certain to become a social asset rather than a liability.

With respect to point (*6b*) my answer would be "yes." With respect to (*c*) "yes," provided there is a definite program of merit. (*d*) Yes, subject to a board of review composed of specialists to judge the validity of the program submitted.

Sincerely yours,

GEORGE S. STEVENSON, *Medical Director.*

ENGINEERS' COUNCIL FOR PROFESSIONAL DEVELOPMENT,
New York, N. Y., August 12, 1944.

The Honorable JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, United States Senate,
Washington, D. C.

MY DEAR MR. MURRAY: In reply to your letter of August 5, I should like to discuss the points you raise by number, and limit my comments to engineering colleges.

(1) Types of surplus property most likely to be useful to engineering colleges are those which can be arranged for testing in the engineering laboratories. Measuring instruments and similar equipment to be used in experiments also would be useful. I do not believe engineering colleges in general would be interested in airplanes or any such army material as trucks, etc. I would suppose that the Signal Corps, Chemical Warfare Service, Ordnance Division and Corps of Engineers would be most likely to have this equipment, especially in their research laboratories.

(2) I am not sure what you mean by the question of participation "in programs involving the utilization of such property." If you mean by this that engineering college laboratories might conduct research for Federal agencies which have surplus equipment, then I believe a reasonable amount of such joint effort might be worked out. If you mean by this question to ask whether the members of the several Federal agencies could be taught by the institutions in return for the surplus property, I would say that this would be possible only when the institution and the Army post or research agency were near each other. Of course, former members of the Federal agencies will be enrolled to a large extent in the colleges under the provisions of the G. I. bill.

(3) It would seem to me wise to unify responsibility for the disposal of surplus property under a single Federal agency, and the Office of Education seems a very wise choice. In general, I think that additional agencies ought not to be created, especially for a limited purpose such as the disposal of surplus property. I suppose the mechanics of the problem could be simplified if the several agencies possessing surplus property transferred ownership to the Office of Education.

(4) (*a*) Very little of this property would be useful for the Office of Education if that agency should be selected to dispose of the material.

(*b*) I should think the Office of Education would distribute the property among both educational institutions and departments of the Government such as the Bureau of Standards or Agriculture, where it probably could be used.

(5) (*a*) It seems to me the basic principle of the plan of distribution should be to put the surplus material where it will be of the greatest educational or research value. This would mean that items allotted to laboratories, either in colleges or research institutions, should be where there were men competent to operate the equipment. There would be no point in sending technical laboratory equipment to colleges, for instance, where the faculty was not competent to use the material to the best advantage.

(*b*) It seems to me the Office of Education should be the judge of the extent to which state agencies would be used. In recent years the Office of Education has established very close relations with many colleges of the country through the engineering, science, and management war training program, and I believe the Office would be able to distribute material directly with very little trouble.

(*c*) It seems to me the property should be distributed to State and endowed institutions on the same basis. There is no reason why an endowed college should not be entitled to the use of surplus equipment just as much as tax-supported institutions. Alumni of the endowed institutions have paid their share of the taxes for the purchase of the material, and the public using the endowed

institutions has the benefit of the income from the endowment, for which the gift of a reasonable amount of war material might be considered a partial offset.

I think it would be very difficult to set fair market prices for either new or used surplus equipment in technical fields as much of the equipment will be out of date when available. It may still be useful for laboratory experiments but would not normally be purchased new by the college.

(*e*) I doubt very much whether any educational institution accepting surplus war material would attempt resale, but that should certainly be prohibited. If the material is likely to be of value to the Government at any time in the near future, a recapture clause should be included in the statement of gift.

(6) The question of dividing surplus material between educational institutions and public agencies was referred to in paragraph (5). The determination as to the volume and type of property to be distributed for educational use or to public departments seems to me to be a matter for congressional decision. I have an idea that there will be far more available surplus material than all the Federal and State departments which which might use this material could possibly want. Personally I believe a committee established by the Office of Education, which would have on it representatives of Government departments and educational institutions, both private and public, would be able to allocate surplus war material to the satisfaction of both groups. Without any definite information as to the amount of war material unlikely to be declared surplus, I have a feeling that there will be a great deal more than all educational institutions and Government departments can use, and that there will be a surplus for commercial disposal.

The educational institutions of the country at the college level have sacrificed very heavily during these war years but have managed to carry on in spite of low enrollments. Some compensation for their struggle can be made by the gift of surplus war material for their laboratories. I do not think there should be any hesitation in presenting this property to accredited colleges without charge.

Very truly yours,

D. B. PRENTICE,
Chairman, Committee on Engineering Schools.

Miscellaneous letters on the subject of utilization of surplus war property in educational institutions:

CONY HIGH SCHOOL,
Augusta, Maine, August 4, 1944.

Senator JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: I understand that you are chairman of the committee that is studying the problem of the disposal of surplus war materials. I also understand that a great deal of this could be used by the schools of the country.

I certainly hope that Congress will see fit to dispose of as much of it as possible by giving it to the public schools. It seems to me that the citizens will get a far greater return for their money in disposing of it in this manner. It would be a great mistake to repeat what occurred after the last war and sell these articles to private individuals.

Very sincerely,

WILLIAM A. MACOMBER, *Principal.*

COUNTY OF IMPERIAL,
EL CENTRO, CALIF., *August 7, 1944.*

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs, Washington, D. C.

HONORABLE SIR: After the war there is bound to be much surplus war material remaining that will have a vital educational value to schools and colleges. In the decade of depression preceding the war many, in fact, most, of the educational institutions were unable for financial reasons to buy new or replace old material and equipment. Since the advent of the war, of course, such material has been practically unobtainable.

Would not the splendid material now being used by the Army schools fill a wonderful need if allotted to education after the peace has been declared? As

educators, a preponderate majority of us in the business of preparing young America to become 100-percent citizens would vote a vehement "Yes" to this question.

Please give this matter your earnest consideration.

Most respectfully yours,

E. L. HITEMAN,
County Superintendent of Schools.

PROVO CITY SCHOOLS,
Provo, Utah, August 8, 1944.

Hon. JAMES E. MURRAY,
Chairman, Senate Committee on Disposal of War Surpluses,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: My attention is called to the fact that you are chairman of the Senate committee dealing with the problem of disposal of war surplus supplies. May I therefore indicate to you two or three very important facts that I hope will be of some assistance to you in your analysis of this problem?

The schools of the Nation have most loyally supported the total war-preparedness program. Possibly no other agency has so extensively advertised and sold War stamps and bonds as have the schools. They have served in gathering crap metal, paper, fats, clothing for various purposes, handled the problem of rationing registration for the Nation, and in other ways have given appropriate assistance. Likewise, they have made a tremendous contribution in their efforts to train adequately young men going directly into military service and others going into war industry.

Of all public governmental agencies, the schools are probably the most poverty-stricken. During the wartime school officials have been unable to purchase necessary school supplies and equipment, and, hence, the available supplies have long since been exhausted for thousands of districts. It is my opinion that vast quantities of these war surpluses could very appropriately be used by the public schools of the Nation in such a way that a 100-percent value would return to the people through the process of education.

I heartily recommend this manner of disposal of war surplus material to you and members of your committee.

Respectfully yours,

J. C. MOFFITT, *Superintendent.*

MAINE TEACHERS' ASSOCIATION,
Augusta, Maine, August 9, 1944.

Hon. JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SIR: This is to urge your strong support of any measure designed to distribute surplus war materials to tax-supported institutions. Such distribution of suitable materials would (1) be of immeasurable value to public schools, hospitals, asylums, etc., and (2) be a good way of putting valuable surplus materials to good use without seriously affecting the post-war economy.

Many Maine schools have never had proper instructional materials and nothing in the local situations indicates such materials can be made available at any future time. Local tax rates are frequently very high. Local initiative is sometimes very low. And, as a result, the children in many communities do not have some of the opportunities that should be the birthright of all American youngsters. Among the surplus war materials are (or will be) properly illuminated blackboards, good lighting equipment, moving-picture projectors, desks, chairs, busses and beach wagons, storm windows, sports equipment, band instruments, etc., that would make the physical and instructional conditions in our schools much more nearly satisfactory than is true today.

The use of these surplus materials in the schools would not be injurious to school supply manufacturers, for the equipment in general would go to locations that could not purchase it under normal circumstances. The materials could be used to help equalize educational opportunities within the States as well as between States.

It is urged most strongly that the selection and distribution of surplus war materials for the schools shall be handled with the advice and cooperation of

the United States Office of Education, the State departments of education, and local boards of education. There should be no need for a new agency to handle this portion of the distribution of materials.

You may be sure that we will appreciate any assistance you may give to help bring to public, tax-supported institutions the surplus war materials already paid for out of public taxes.

Most sincerely yours,

RICHARD B. KENNAN,
Executive Secretary.

BONHAM PUBLIC SCHOOLS,
Bonham, Tex., August 10, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: This letter concerns the disposal of surplus war materials that are usable in the public schools of this Nation. We feel that the placing of these materials, such as typewriters, lathe machines, motion-picture projectors, etc., in our public schools where we train individuals would be a boon to those public interests manufacturing this equipment.

These war materials belong to the taxpayers of this Nation. Our public school system belongs to the taxpayer. Many of our schools are without buying power. For the past few years we have been patching and getting by so that our armed forces might have more. We are in great need of these surplus materials; for in this school system we could use between $50,000 and $75,000 worth of this equipment.

We believe that the Congress of the United States should pass such legislation as would make it possible to allocate as a permanent loan a great deal of this surplus equipment.

Yours sincerely,

J. B. GOLDEN, *Superintendent.*

BOARD OF EDUCATION,
Baton Rouge, La., August 10, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: The school people of the United States are extremely interested in the disposition of surplus war materials that will accrue after the war. At the close of the war vast quantities of materials adaptable to the educative processes will be available which would assist materially in expanding the educational program when the greatest demand will be made on public education. The schools of the United States have been deprived of this type of equipment during this emergency and it would seem both reasonable and desirable that the schools be given first consideration when determining the disposition of this material.

Much of the material such as science and laboratory equipment and supplies, home economics furnishings, equipment for all types of shops in vocational and industrial schools, agricultural departments, etc., could be used to great advantage by the schools of this Nation.

We solicit your favorable consideration to this request.

Yours sincerely,

CLARK L. BARROW, *Superintendent.*

SUPERINTENDENT OF SCHOOLS,
Phillips, Maine, August 10, 1944.

Senator JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MURRAY: Because of the fact that you are chairman of the War Contracts Subcommittee on Military Affairs I am writing you requesting you to give serious consideration to making available to the schools of our Nation the surplus war materials, which would be of use to them, which will be on hand at the close of the war. I am, of course, particularly interested in the school union which I represent, and undoubtedly there are many thousands like it in the country. Since this union is almost entirely made up of agricultural pursuits, it is, as you might well know, heavily taxed for the support of its schools, and its schools are poorly equipped. We need blackboards, projectors, radios, musical instruments, paint, and many other things of which you will undoubtedly have a surplus when peace comes. In this entire union there is not a projector, radio, or musical instrument belonging to the school department. Since these materials have been paid for out of public taxes it would seem to me that the sensible thing to do would be to turn them over to the public-tax-supported institutions where they will be of great service, rather than making the taxpayer take another licking by selling these surplus goods to private individuals for a few cents on the dollar.

I hope, Senator Murray, you will consider the needs of the schools of this country and lend them your support at this time.

Very truly yours,

FRANCIS MALCOLM,
Superintendent of Schools.

WINONA STATE TEACHERS COLLEGE,
Winona, Minn., August 10, 1944.

The Honorable JAMES E. MURRAY,
Chairman of the Senate Subcommittee on War Surpluses,
Washington, D. C.

DEAR SENATOR MURRAY: I am writing to call your attention to the need of our institution for certain surplus war materials. We are looking forward to the expansion of certain teacher-training facilities. As you may have read, the entire Nation is critically short of teachers. We especially need industrial arts and shop equipment, including both woodworking and metalworking machinery. We also need picture-projection equipment, films, and instructional slides, such as those the armed services have been using. We can make good use of radio equipment, electric meters, and the like. Another need exists for dormitory equipment—cots, mattresses, as well as food-serving equipment. I mention these merely to give you an idea of what is required by an institution such as this.

I sincerely hope that legislation will be passed permitting surpluses to be turned over to the schools without charge. These materials have already been paid for by the taxpayers and should be put to the best possible use. We would not be able to compete in the open market for such goods because, first, our funds are limited, and, second, the operating machinery for requisitioning and paying for such equipment is cumbersome. A delay will be entailed in which we would lose to private enterprise in the bidding. I believe further that it would be advantageous to the national economy to have such materials turned over to the schools and colleges. The equipment would not flood the market, which would depress prices.

I should appreciate your keeping me informed as to the progress of legislation along the above line.

Yours very truly,

N. MINNÉ, *President.*

SUPERINTENDENT OF SCHOOLS, UNION NO. 89,
East Eddington, Maine, August 10, 1944.

Senator JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: When you make a decision regarding the use of surplus war materials I hope that you consider the needs of the schools.

It seems to me that this war material has been paid for in taxes levied on the people and some of the material should go back to the people, especially the schools.

In this union a 16-millimeter projector would be of great help. No town in the union could afford to buy one, yet if the superintendent had one that he could use in all the towns it would be very beneficial.

I hope that you can give this matter your favorable consideration.

Very truly yours,

MERLE S. GOODWIN.

STATE SCHOOL UNION No. 9,
Cornish, Maine, August 10, 1944.

Hon. JAMES E. MURRAY,
Chairman of the War Contracts Subcommittee on Military Affairs,
Washington, D. C.

DEAR SIR: It is the hope of many of us who are engaged in educational work in the small school systems in Maine that a part of the surplus war materials may be turned over to the schools.

Any help you can give on this will benefit the boys and girls in rural areas.

Very truly yours,

LINDON E. CHRISTIE.

[Telegram]

JACKSONVILLE, FLA., *August 11, 1944.*

Senator JAMES E. MURRAY,
Senate Office Building, Washington, D. C.:

The National Congress of Parents and Teachers, an organization of over 3,000,000 men and women in every State of the United States and its Territories dedicated to the welfare of children and youth, supports the policy of releasing unneeded educational medical and recreational materials and supplies purchased by the armed forces to the proper public agencies, local, State, and national, for youth in developing programs of education, health, and recreation throughout the United States. Please acquaint the members of your committee with our stand on this measure and we urge serious consideration of your committee on our views.

MRS. MALCOLM MCCLELLAN,
Chairman of Legislation, National Congress of Parents and Teachers.

THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE,
Philadelphia, Pa., August 11, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, Committee on Military Affairs,
United States Senate, Washington, D. C.

MY DEAR MR. SENATOR: This will acknowledge your letter of August 4 in which you were good enough to ask for answers to a number of questions directed to us by you as chairman of the War Contracts Subcommittee.

We very much appreciate your soliciting our reactions, but the American Academy has placed a strict limitation on itself and never expresses judgments on public questions. Individual members, of course, are free to do so, but not the organization.

Very cordially yours,

EARNEST MINOR PATTERSON, *President.*

UNION SCHOOL DISTRICT,
Dixfield, Maine, August 11, 1944.

Senator JAMES E. MURRAY,
Washington, D. C.

MY DEAR SENATOR MURRAY: Today I learned there are many surplus war materials which could be used by schools throughout the Nation. Could not these extra supplies be distributed to tax-supported institutions where they can be of great service without affecting the post-war recovery program?

In my school union at the present time, comprising four small Maine towns, some extra blackboards, radios, projectors, musical instruments, etc., would be a God-send. Won't you consider this request ,and allocate some of these surplus educational aids to us?

Thanking you for the attention which I trust you will give this suggestion, I am,

Yours very truly,

FRANK MCGOULDRICK, *Superintendent of Schools.*

SCHOOL UNION 119,
Mars Hill, Maine, August 11, 1944.

Senator JAMES E. MURRAY,
Washington, D. C.

DEAR SENATOR MURRAY: It has come to my attention that there is on hand millions of dollars worth of surplus war materials, among which there is a large amount of material which could be used by our public schools.

Instead of unloading this material through ordinary channels of distribution whereby a few individuals will reap a large profit. I urge that some means be established by which materials needed for schools may be distributed directly to the schools. Distribution committees within each State, from the State departments of education, could well handle such matters.

Sincerely yours,

EDWARD W. HINCKS, *Superintendent of Schools.*

[Telegram]

NEW YORK, N. Y., *August 12, 1944.*

Hon. JAMES E. MURRAY,
Senate Office Building, Washington, D. C.:

Engineering college, New York University, greatly concerned over provisions in various Senate bills providing distribution of surplus war materials for vocational education use restricted to tax-supported institutions. Our college and many other tax-exempt but privately endowed institutions have contributed greatly to war effort and would be unreasonably discriminated against by this provision. We have trained over 14,000 in special war courses last 2 years, of which over 4,000 have been for military services. We urgently request your support to provide equal opportunity for tax-supported and tax-exempt educational institutions in distribution of surplus war material.

THORNDIKE SAVILLE,
Dean, Engineering College.

BOARD OF EDUCATION,
Ossining, N. Y., August 12, 1944.

Hon. JAMES E. MURRAY,
Washington, D. C.

DEAR SENATOR: At a meeting of the Board of Education of Union Free School District No. 1, Ossining, N. Y., held on August 10, 1944, a resolution was passed stating that it is the sense of this board that surplus material belonging to the Government suitable for the use of schools be allocated to the schools of the United States.

Very truly yours,

PERCY H. DOWDEN, *Clerk.*

PORTLAND, MAINE, *August 12, 1944.*

Senator JAMES E. MURRAY,
Washington, D. C.

DEAR SIR: As chairman of the War Contracts Subcommittee on Military Affairs, may I ask your support in making available to schools the surplus war materials? As you well know, our Maine school budgets are indeed low, and cannot include many items that are necessary, as blackboards, visual aids, radios, musical instruments, etc., that I understand are part of said surplus. These would be of great benefit to Maine children who are in need and otherwise cannot have them.

Any assistance that you may give to this matter will be very much appreciated by all Maine children and their teachers.

Sincerely,

MARY L. SNOW,
Past President, Portland Teachers' Association.

YORK COUNTY TEACHERS' ASSOCIATION,
Dark Harbor, Maine, August 13, 1944.

Hon. JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MURRAY: As a teacher of several years' experience and as one keenly interested in the welfare of our public schools, I am writing to ask you to use your influence, as chairman of the War Contracts Subcommittee on Military Affairs, to make available for school use such surplus war materials as would be suitable for such a purpose.

Sincerely yours,

(Miss) EMILY PENDLETON.

WEST VIRGINIA CLASSROOM TEACHERS' ASSOCIATION OF THE WEST VIRGINIA STATE EDUCATION ASSOCIATION,
August 13, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR: For the educational welfare of the children of the Nation, and for the values for education that lie in the war surplus materials which the Federal Government will have for disposal at the conclusion of the war, I am asking your earnest consideration on the matter of making available to schools, without cost, these materials useful in educative process.

The schools do not have the buying power for, and yet are in great need of, such materials. As a teacher and as an officer in county and State professional organizations, seeing what the work schools could do if better equipped, I ask your giving consideration to public education in the hearings on legislation treating the subject of disposal of war surpluses.

Sincerely,

VIRGINIA ATKINSON.

SCHOOL COMMITTEE OF MONROE,
Monroe, Maine, August 14 1944.

Senator JAMES E. MURRAY,
Senate Office Building, Washington, D, C.

DEAR SIR: I am writing you in regard to the surplus war materials which will soon be available to the public.

We believe that the schools should have some of the surplus war property which can be used for educational purposes. We ask you to use your influence to make this possible by supporting those measures presented by Senator Mertin Moe, in behalf of the National Educational Association.

Many schools in Maine are in urgent need of blackboards, radio equipment, and film projectors, such as will be released by the Army Training Corps.

Again we ask you to use all possible influence to get this equipment for our schools.

Very truly yours,

Mrs. BERNICE T. MONROE,
President of Waldo County Teachers Association.

STEARNS INDEPENDENT GRADED SCHOOL,
Stearns, Ky., August 14, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: In making plans for disposal of post-war surpluses, I trust you will use your influence to make provisions for public schools to share in the distribution.

Among other items schools could use are: Stoves, refrigerators, and baking units for school lunchrooms; typewriters, mimeograph machines, calculating machines, desks, file cases, etc., for commercial work; movie projectors and films for classroom instruction; trucks, cars, airplane engines and tools for instruction in operation and repair; radios and various machines to be used in teaching

shop; tents and cots for school camps; building materials, and in fact, most any item could be profitably utilized by the schools.

The American schools have surely earned due consideration in any distribution that may be made. We have sold billions in War bonds and stamps; collected scrap metals, grease, and waste paper; contributed greatly through Junior Red Cross; aided farmers in various ways to produce more food; and as you probably realize the rationing program could not have been accomplished without the aid of some 1,200,000 teachers.

I believe the schools should be given first chance in the disposal of post-war surpluses for the following reasons:

1. The materials would be used by all of America's children, and have been paid for by their parents.
2. Since schools have little or no purchasing power, there would be no disturbance of markets.
3. The materials would be used to help further our preparedness program.
4. The surplus could be greatly and safely reduced by first supplying all the needs of of every American high school.
5. There seems to be no valid reasons for private business being allowed to make a profit from the sale of any surplus materials.
6. If every American high school could be amply supplied from this surplus, each child could be given some type of vocational training that would help him make a living instead of the academic training we now give which prepares for nothing.

I feel that it will be a statesman-like step on your part to help make our schools the beneficiary of what is left at the end of the war; so we can begin to rebuild for the better world we all hope for.

Sincerely yours,

C .W. HUME, *Superintendent.*

MAINE TEACHERS' ASSOCIATION,
Hancock County, Bar Harbor, Maine, August 15, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

MY DEAR SENATOR: Assuming that there will be surplus war materials which can be used by our schools, I am writing to inform you of the dire need of much material that would be of great value in our school shops, laboratories, and classrooms.

Our schools today, especially in the small communities and towns, are handicapped greatly by lack of essential equipment and materials.

It is an ideal and an expectation that school curriculums can and will be enriched in the future. To obtain perfection in our schools for the good of the communities, the States, and the Nation, it is a must that the needed equipment and materials be made available.

On behalf of the Hancock County Teachers' Association, please be advised that your efforts and interest in this very important matter will be very much appreciated. Anything that you do to help should be of great comfort to you, realizing that your efforts are for the benefit of the boys and girls of America. The students will owe you a debt of gratitude, which will be repaid manyfold.

Please support legislation that might release needed equipment, supplies, and materials to our schools.

Thank you very much.

Yours very truly,

JOHN F. HARRIMAN, *President.*

GLENVILLE STATE COLLEGE,
Glenville, W. Va., August 15, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: I shoud like to add my views to the already large number that must have been offered you regarding disposal of war surplus materials.

When the time arrives to dispose of this vast store of public property it seems to me that these points should be borne in mind: (1) Public money has already paid for these commodities; (2) dislocation of industry should not be chanced by permitting such a store to enter into competition with goods produced through normal channels; (3) the most effective and productive use for these goods should be sought.

With the above premises in mind, I respectfully invite your consideration of the proposition that surplus war commodities be disposed of by allocating applicable stores to the public schools. In support of this proposition I cite these facts: (1) The buying power of the public schools is low; (2) need of new equipment is now especially great; (3) no more constructive use of such supplies can be found than use in the training of the boys and girls of the land in the places they must occupy in the changed conditions which must confront them in our post-war economy.

I sincerely believe that disposal of these supplies by allocation of applicable items to the public schools will be an act decidedly in the interest of the public welfare. Your careful consideration of this proposition is respectfully solicited.

Very truly yours,

ROBERT T. CRAWFORD, *Dean.*

THE UNIVERSITY OF THE STATE OF NEW YORK,
Albany, N. Y., August 16, 1944.

HON. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, Committee on Military Affairs, United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: The matter of surplus property in relation to the needs of education has been discussed in the department. I believe the general statement attached, to which we subscribe, covers most of the questions in your letter of August 4.

The regents do not meet again until the middle of September, but I believe this statement is consistent with their general viewpoint. If a formal resolution from the regents in September would be helpful please let me know and I should be glad to bring it before the board for consideration.

Sincerely yours,

GEORGE D. STODDARD.

A tremendous stock pile of surplus war materials and supplies is accumulating. Some of this material is appropriate to the needs of schools and colleges. These institutions will be called upon to undertake a vast post-war program of training and education. There should be granted to the schools a high priority in securing without cost shop and laboratory equipment, instruments, visual aids, and the like.

×

Columbia University
NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination," and in Parts 1 to 14 entitled "Mobilization and Demobilization Problems")

HEARINGS

BEFORE THE

COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1478, S. 1609, S. 1680, S. 1775, S. 1794, S. 1803, S. 1815, S. 2045, S. 2065

PART 15

UTILIZATION AND DISPOSITION OF SURPLUS WAR PROPERTY

AUGUST 16 AND 17, 1944

Printed for the use of the Committee on Military Affairs

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WASHINGTON : 1944

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MOBILIZATION AND DEMOBILIZATION PROBLEMS

WEDNESDAY, AUGUST 16, 1944

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The committee met, pursuant to notice, at 10:30 a. m., in the committee room of the Committee on Military Affairs, United States Capitol, Senator Robert R. Reynolds (chairman) presiding.

Present: Senators Reynolds (chairman), Johnson, Hill, Downey, Chandler, Murray, O'Mahoney, Austin, and Gurney.

The CHAIRMAN. The meeting will please come to order.

We have the honor and pleasure of having with us this morning Mr. Ickes, the Secretary of the Interior, whom we will be delighted to hear in reference to the pending bills relating to the disposition of surplus war property, both real and personal.

STATEMENT OF HON. HAROLD L. ICKES, SECRETARY OF THE INTERIOR

Secretary ICKES. Mr. Chairman and gentlemen of the committee: At the outset of my statement on surplus war property, I wish to express my real appreciation of your courtesy in permitting me to appear before you. It is a subject in which I have a very keen interest.

In the first place, the administration of Government real property has been a major task of the Department of the Interior even since its organization. In the course of performing that task the Department and its component bureaus have disposed of, in accordance with the public land laws, more than 1,000,000,000 acres of land. Today the Department of the Interior is responsible for the administration of more than a quarter billion acres of land in the continental United States, and of an even greater area in the Territories and possessions.

In the second place the many surplus property bills that have been introduced in recent months tend, in the main, to assume that real property is susceptible of administration through the same procedures as personal property. This assumption overlooks the very significant legal, economic, and practical differences between real and personal property, and the dissimilar management methods customarily applied to each in both Government and private business. The surplus real property bill introduced yesterday by Senator O'Mahoney, S. 2078, is the only bill now pending before the Congress which, in my opinion, fully recognizes the specialized nature of the real property disposal problem.

In the third place, the management of Government surpluses, whether consisting of personal or of real property, is a matter which can either make or break our economy in the post-war years. In this connection I am happy to see in one of the bills you are now considering, S. 2065, introduced by Senators Stewart, Murray, and Taft, provisions directed to the end of assuring that surpluses will be used to promote the greatest good of the greatest number. Among these are provisions requiring the purchasers of war plants to keep them operating for a given period of years or else return them to the Government; provisions for retaining, intact, surplus stocks of strategic and critical materials against the day of a future defense emergency; provisions for preferring veterans in the disposition of property capable of use in agricultural or small business enterprises; provisions imposing various safeguards against the capture of property by the greedy hand of the speculator or the dead hand of monopoly; and provisions directed to the end of promoting economy in Government operations through the utilization of available surpluses in lieu of future purchases at costs probably double the market value of the goods on hand.

In the fourth place, the tremendous volume of surpluses that will become available will constitute an equally great temptation to cheats and chiselers. The inspired looters of the past have thought out ways and means to tap the Treasury which have been both original and astounding. They will do so again. unless tight controls on the disposal of surplus property are put into effect and unwaveringly maintained. One sound method of checkmating scoundrels would be to place, insofar as possible, the administration of each type of surplus property in the hands of an agency which has had wide and long experience in the management, protection, and disposition of that type of property. Such an agency will have learned to be wise and wary—even hard-boiled—in its consideration of disposal proposals.

The disposition of Government property, of course, is not a new problem or one arising out of the special circumstances of this war. However, the variety and amount of property now requiring consideration is greater by far than at any previous time in our history. The effect upon our people and our future economic life of the policies that you lay down will be commensurately greater. The consequences of the Government's method of handling that third part of our Nation acquired by the Louisiana Purchase may, in historical perspective, become insignificant compared to the consequences of disposing of the present industrial holdings of the Government, which have been reported by a Senate subcommittee as equal to one-third of the total value of all privately owned industrial properties in the Nation.

Congress has considered the problems involved in disposing of the people's property again and again. Out of that consideration, and out of trial and error during the past 150 years, there have been formulated some fundamental policies upon which we can rely in our concern for the public interests in this vast and complex problem. These principles are crystal clear: First, it is not sound public policy to consider any offer which may result in monopolistic control, restrictive production, economic depression, or lower tax returns. Second, it is not sound policy to encourage speculation, or restrict the benefits of public sales, when the property we sell can promote investment, production, and sound living levels for our people.

Conversely, it is sound public policy—whether we are disposing of Government lands, mineral leases, electric power, or commodities—to assure that the benefits of their disposition will be widely distributed and not confined to limited groups. But this does not mean merely an equal opportunity to everyone for a cut of the pie, a sort of super-raffle in which both the corporation and the veteran have a ticket entitling them to an equal opportunity to purchase a Government plant or facility. Sound public policy demands that the people's property be disposed of—either to public agencies for care, or to private individuals and institutions for use—upon a basis that will further to the utmost possible degree the progressive growth of our economic well-being.

In order to make fully adequate provision for the application of these broad over-all considerations to the disposition of lands acquired or held in connection with the war program, I believe legislation should be enacted that would embrace the following main features:

1. The creation of a central inventory of all Government-owned lands would be a condition precedent to an efficient system of real property disposition. In the present state of affairs it is virtually impossible to obtain an accurate appraisal of the full extent of Government landholdings. The General Land Office in the Department of the Interior now has records of all public-domain lands. These records should be expanded to cover all other Government lands.

2. Before real property not needed by the agency having custody thereof is disposed of to private parties, it is only good business sense to provide for its transfer to any other Government agency which needs the property for an authorized Government purpose. Property should not be considered surplus until it no longer has a Government use if the Government is to obtain full value from its ownership.

3. Provision should be made for giving veterans appropriate preferences in acquiring surplus lands. A substantial portion of the lands to be disposed of at the end of the war will probably be suitable for small farm, small business, or residential purposes. It would be simply justice to make this type of property available for reestablishing veterans in civilian life. Subordinate preferences should also be considered for former owners of the property involved, and for public agencies such as States and municipalities.

4. Flexible disposition procedures should be included that will facilitate the most practical, inexpensive, and effective disposition of property. However, they should be tight enough to prevent fraud or collusion in sales. Above all, they should be designed to prevent speculation in Government property or the promotion of monopolies.

5. Generally speaking, it would seem advisable to consider as surplus only operating property of an agency which is no longer needed by the agency in the performance of its functions. Property specifically set aside by Congress for a particular purpose, such as a national park, should not be subject to disposal by administrative action as surplus property. Neither should similar property set aside for the purpose of conserving the property, or other special types of property which are not held for operating purposes, be susceptible to determination as surplus.

6. Public domain lands should be disposed of only under the public land laws, except in cases where permanent structures have been constructed on the lands. Under existing laws the public lands which have

been temporarily reserved for military use will be returned to the public domain for administration under the public land laws when their military use is at an end. There is thus no disposal problem with regard to some 13,000,000 acres of public lands already turned over to other war agencies by this Department for war uses.

7. It would appear sensible to vest the actual day-by-day administration of real property disposal in an established Government agency which has had extensive experience in the administration of the type of property involved and which is now charged by law with administrative jurisdiction over large and varied holdings of similar character. In the development of broad policies to govern disposal, this agency might well be required to consult with other Government agencies which have a substantial interest in real property.

8. The exemption of property from local taxation because of its Government acquisition and ownership has created some considerable local problems. If property of that type is determined to be surplus, but is not to be returned immediately to private ownership, it may be equitable in certain cases to provide for Federal payments on such property in lieu of taxation.

The Department of the Interior has had much experience in the sale and disposition of public property under principles similar to those that I have just enumerated. Under the guidance of Congress, agencies of the Department—even before the Department itself was created—have disposed of many hundreds of millions of dollars' worth of public property. We are constantly disposing of land and associated natural resources under laws relating to the public domain that have been hammered out in more than a century and a half of legislative and administrative experience. The policies of these laws are as I have stated: to eschew monopoly, speculation, hoarding, and waste, and to promote conservation, production, and individual enterprise. In line with these considerations I strongly recommend to your consideration the bill for surplus real property disposition recently introduced by Senator O'Mahoney. The only substantial oversight which I have noted in that bill is the failure to establish a definite procedure for effecting transfers of real property between agencies of the Government. I believe that the provisions of Senator O'Mahoney's bill might, with slight changes in form and substance, be readily incorporated in the bill introduced by Senators Stewart, Murray, and Taft which is now before you.

Senator O'MAHONEY. May I interrupt you, Mr. Secretary?

Secretary ICKES. Yes, Senator O'Mahoney.

Senator O'MAHONEY. You say that I have deliberately committed the oversight of making no provision for the transfer of real property among the agencies of the Government. The reason was this: I felt the agencies of the Government now holding land would not declare it to be surplus if they had any present need for it, or any foreseeable future need, and if it were declared surplus, then it ought to be disposed of as provided in this bill. Now, if any agency develops in the future a need for such land, it ought to make its request to Congress for the setting aside of the land. Of course, under this bill the Secretary could make the recommendation for the legislation.

Secretary ICKES. Yes. We did not have much time to study the bill. I haven't any doubt it was deliberate. The Senator usually knows what he is doing.

With respect to this latter bill, S. 2065, I want to take this opportunity of saying, very sincerely, that it is in my judgment the best of the general surplus-property bills now before the Congress. At the conclusion of my testimony today I desire to present for your consideration a few simple amendments which, I feel, would add substantially to its merits. For the most part these amendments are directed toward incorporating in the bill the more essential of the principles relating to the administration of surplus real property which I have discussed today. This group of amendments would, of course, be unnecessary if my suggestion concerning Senator O'Mahoney's bill should be adopted. Before concluding my statement I will briefly mention the purpose of the other suggestions for amendment I hope that you will consider.

In section 2 of S. 2065 I suggest that the Interior Department be accorded representation on the Surplus War Property Board. In section 3 I recommend that the disposal of real property, other than industrial plants, be centralized in the Department of the Interior. If such a provision is not placed in the bill, I am reasonably sure that the administration of most classes of real estate, including a good many thousands of acres intermingled with the public domain, and including agricultural, grazing, and mining lands similar in character to those traditionally administered by this Department, will be centralized in the Reconstruction Finance Corporation. In fact, the Surplus War Property Administrator has already promulgated regulations to this effect.

In section 11 I recommend that the provisions for interagency transfers be modified so as to authorize transfers without reimbursement of funds. As written, this section would probably require such reimbursement in the case of most transfers of personal property, and might require such reimbursement in the case of some transfers of real property. The whole theory of reimbursement in connection with intergovernmental transfers of property has always seemed to me to be a case of robbing Peter to pay Paul. The inevitable tendency of reimbursement provisions would be to necessitate, in cases where funds were not immediately available for this purpose, the sale on a buyer's market of property which in a few short years or even months would, in the course of carrying out the ordinary authorized activities of the Government, have to be replaced through purchases made on what by then may well have become a seller's market.

I am convinced that the pecuniary losses sustained by the Government in this way would exceed any immediate economies which reimbursement provisions might otherwise seem to promise. Moreover, reimbursed transfers would not result in what might be considered as in any sense an unauthorized augmentation of the regular appropriations made to the various agencies acquiring property by transfer, since the availability of surplus property for transfer would, of course, be a factor which could, and should, be considered by the Congress in determining the amount of the appropriations to be made to the agencies concerned. The amendment I am suggesting makes provision for the maintenance of records and the submission of reports whereby the Congress, and its appropriating committees, could at all times keep informed concerning the nature and amounts of all intergovernmental transfers of surplus property.

Reduced to essentials, the whole reimbursement concept rests on the fallacious assumption that the property belongs to the particular establishment vested with its custody, whereas in truth it belongs to the United States of America. For this reason, as I have pointed out previously, no item of property can be properly classed as really surplus until it has been determined that it cannot advantageously be used in carrying out any authorized function of the Government.

A general reimbursement requirement in connection with intergovernmental transfers would be particularly inconsistent with sound property administration practices in the case of real property. With respect to the public domain, which even today exceeds greatly in extent all the so-called acquired lands that might be affected by the bills before you, it has always been the policy of the Congress to permit the President, or the Secretary of the Interior acting as his representative, to set aside tracts for virtually any public purpose, and to transfer jurisdiction over these tracts from one agency to another without transfer of funds. The instances in which similar authority might be appropriately exercised in connection with war-acquired lands are numerous.

Senator AUSTIN. Excuse me, Mr. Secretary. Can I ask you a question on that point?

Secretary ICKES. Yes, Senator.

Senator AUSTIN. Can you recall under what statute that was done?

Secretary ICKES. General statute of 1910, and also a Supreme Court decision holding that the President has power to do it.

Senator AUSTIN. Thank you.

Secretary ICKES. Thus, within the Columbia Basin project of the Bureau of Reclamation there are some 15,000 acres of irrigable land which have been acquired by the Army for a military airport. When military use of this land ceases, it should obviously be turned over to the Bureau of Reclamation for disposal under the Federal reclamation laws as small owner-operated farms. By so doing the Government would insure the beneficial use of the property as well as the ultimate recovery of its value. Again, the Muroc bombing range in Kern, San Bernardino, and Los Angeles Counties, Calif., consisting of 157,000 acres, contains acquired lands which are eminently suited for administration as a part of California grazing district No. 1 under the Taylor Grazing Act. Similarly, the Wendover bombing range in Tooele and Box Elder Counties, Utah——

Senator O'MAHONEY. May I interrupt you, Mr. Secretary?

Secretary ICKES. Yes, Senator.

Senator O'MAHONEY. I would like to ask you whether you have the facts before you to enable you to tell us whether those lands were acquired from private owners?

Secretary ICKES. My understanding is they were acquired from private owners.

Senator O'MAHONEY. You would have no objection to the resale of that land to the private owners if the private owners want it, would you?

Secretary ICKES. I think they ought to have a preference, if it is to the advantage of the private owners, but rather than have a general sale of those lands they ought to come to the Interior Department.

Senator O'MAHONEY. I quite agree with you. I thought your statement might be interpreted to mean that these lands, suitable for grazing, which had been acquired from private owners should be put immediately into a grazing district without the preference of the former owner as to acquiring the lands.

Secretary ICKES. As to my general feeling on the right of the original owners to re-buy, I believe in that as a general principle, but I have this qualification: If, as has happened in a good many instances in the experience of my Department, private owners took advantage of the necessity of the Government and made the Government pay through the nose, then I do not think those private owners ought to be permitted to buy back and make a profit on what was merely a temporary use by the Government of that property for war purposes.

Similarly, the Wendover bombing range in Tooele and Box Elder Counties, Utah, contains some 14,000 acres of acquired lands scattered through about 1,490,000 acres of grazing district and unappropriated public lands, with which these acquired lands should, in the main, be integrated if they are to serve their highest ends. In both of these instances retention of the acquired lands and their administration under the Taylor Grazing Act, or other laws, would result in a substantial income to the Government from lands of relatively low sales value.

In section 19 I recommend that the very excellent provisions for retaining as permanent national defense stock piles accumulations of strategic minerals and meals be expanded to include accumulations of other strategic materials. I also recommend that the general administration of these stock piles be integrated with that of the stock piles provided for in the Strategic Materials Act of June 7, 1939, by placing control of all such stock piles in the heads of the War, Navy, and Interior Departments as contemplated by that act. This section of S. 2065, particularly if strengthened in the manner just suggested, would contribute substantially to the national defense. At the same time it would also assist in maintaining the post-war stability of markets and employment, especially in the mineral industries where the dislocations ensuing upon the termination of present Government supports are likely to be especially severe. The freezing contemplated by section 19 would, of course, deal with only one aspect of the stock-pile problem, that of insuring retention of present supplies of materials suitable for stock-pile purposes. Accordingly, I will not discuss this provision of the bill further, except to reiterate the desirability of its being harmonized with existing law in the manner here suggested.

Senator AUSTIN. Before you leave that, have you a list of materials that you now have in mind, or is it your theory that the amendment, when one is made, should be general in its character?

Secretary ICKES. I mean to make it general in its character. We could send to you a list of suggestions, if you would like to have them. I am reminded that the War and Navy Departments have such lists, aside from minerals.

Senator AUSTIN. Yes.

Secretary ICKES. On the whole, the provisions of S. 2065 dealing with the disposal of war plants seem to me to be soundly conceived and very much in the public interest. I am particularly glad to note the specific implementation of the antitrust laws; the requirement that all options shall be submitted to the Attorney General for his opinion as to their validity; the planning provisions under which the Congress and the public must be informed in advance of the major disposi-

tion programs; and the requirement that purchasers must bind themselves to keep the plants in operation for a definite period of time. These are salutary safeguards. The only suggestions that I have for their betterment is that in section 17 the period of time during which the plants are to be kept in operation might well be extended to 5 years, and that in section 20 the approval of the Surplus War Property Board should be made a prerequisite to the final submission of disposition plans and to the authorizing of dispositions in advance of the completion of the plans.

The disposition of surplus war-acquired Government property has in the past been attended by all too frequent scandals. Thus, during the last war the Government constructed a smokeless powder plant at Nashville, Tenn., called the Old Hickory plant. The total cost to the Government was $85,000,000. The entire works, torn down and sold piecemeal, brought to the Government a net return of $4,000,000. Other instances of the speculators' paradise that followed World War No. 1 were sales of bedsheets costing the Government $1 at 20 cents apiece; of paraffin paper costing 60 cents a pound at 5 cents a pound; and of new towels—more than a million of them—costing 54 cents, at 3 cents each. In some cases these same sheets and towels were then immediately repurchased by the Federal Government at the original cost. My purpose in appearing before you today has been to put forward certain suggestions which, as I see it, would contribute in some measure toward preventing the repetition of such outrages and of insuring the public a due return from its property.

The CHAIRMAN. Thank you very much, Mr. Secretary. Your statement has been very illuminating and I am sure will prove of great value to the members of the committee in considering the bills before them. Are there any questions, gentlemen, that you would like to ask?

Senator JOHNSON. Mr. Chairman, I should like to ask one question.

The CHAIRMAN. Senator Johnson.

Senator JOHNSON. I should like to ask the Secretary if he has read Senate bill 2045.

Secretary ICKES. That is your bill?

Senator JOHNSON. That is my bill, at least a recent edition of it. I am quite sure you have it.

Secretary ICKES. I am not as familiar with it as I would like to be, Senator.

Sentaor JOHNSON. You gave a blanket approval of S. 2065, and this committee is going to start in this morning to make a comparison between S. 2065 and S. 2045 and try to take out the good features of both and put them together. In that connection I would like to say, Mr. Secretary, that the two recommendations you have made, the one that the Secretary of the Interior be included in this council, or board, is in my bill.

Secretary ICKES. Yes; you called my attention to that.

Senator JOHNSON. Furthermore, the recommendations that you make with respect to surplus lands, that matter was dealt with in line with your recommendation. So I think you would find something of merit in S. 2045, if you had the time and opportunity to look through it, and perhaps your blanket approval of S. 2065 would also include certain features of S. 2045. I am bold enough to make that statement.

Secretary ICKES. I have no doubt at all that I would find much to approve in your draft of the bill, Senator.

Senator JOHNSON. Thank you.

The CHAIRMAN. Senator Hill.

Senator HILL. I wonder if it would impose too much of a burden on the Secretary to go over Senate bill 2045, the Johnson bill, and then, if he has any suggestions to make to this committee that he might transmit a letter to us.

Secretary ICKES. Yes, I will be glad to do that.

Senator HILL. I would like to have the Secretary's opinion on S. 2045.

The CHAIRMAN. We would like to have the benefits of your advice on it.

Senator MURRAY. Mr. Chairman.

The CHAIRMAN. Senator Murray.

Senator MURRAY. I would suggest that he be given a copy of the print that we will have before us in which the two bills are put in opposite columns for easy comparison.

Secretary ICKES. That would be very helpful. Thank you very much.

Senator JOHNSON. I haven't checked that, but I presume that my quotations are from the latest version of my bill.

Secretary ICKES. Yes.

The CHAIRMAN. Senator Downey.

Senator DOWNEY. No questions.

The CHAIRMAN. Any questions, Senator Chandler?

Senator CHANDLER. No, Mr. Chairman, but, as suggested, I think the Secretary should be given at least until our meeting time in the morning. We will probably not get to it until 10 or 11 o'clock tomorrow anyway.

Secretary ICKES. Let us take it this way: If I can get it down here by this afternoon, all right; and if not, we will get it down by tomorrow.

The CHAIRMAN. All right.

(For statement on S. 2045, see end of Mr. Ickes' testimony.)

Senator MURRAY. Mr. Secretary, on page 3 of your statement you say:

> One sound method of checkmating scoundrels would be to place, insofar as possible, the administration of each type of surplus property in the hands of an agency which has had wide and long experience in the management, protection, and disposition of that type of property.

I would like to inquire if you consider it necessary to turn over to the Department of Agriculture purely agricultural lands, or if all the lands should be handled under one agency?

Secretary ICKES. I do not, Senator, and I do not for this reason: It would simply be another instance of subdividing an activity which would lead to extra expense, overlapping, and to misunderstanding. Now, if the Land Office of the Department of the Interior during the last 150 years has been able to dispose, for farming purposes, of millions of acres that have gone for farming purposes, it surely can do it with the relatively smaller amount here. I would not have any objection, of course. I think we ought to consult with the Department of Agriculture as to what it considers to be agricultural

lands, but I do not see because some of the lands will be agricultural, that that justifies setting up a duplicate Land Office.

Senator MURRAY. Your agency has had a vast experience in the disposal of lands.

Secretary ICKES. Has had all the experience in the world. The Department itself has been operating for, I think, about 96 years, and prior to that the Land Office had been set up in the Treasury for the sole and only purpose of handling lands in the public domain. The Department of the Interior was created primarily for that purpose. We are still operating at the old stand.

The CHAIRMAN. Are there any other questions?

Senator O'MAHONEY. You have also a well-established system of local land offices, have you not, Mr. Secretary?

Secretary ICKES. We have registers in all parts of the country where there are public lands, so there is an easy and understanding access to it by those who want to enter public lands or who want to have leases on mineral lands, or anything of that sort. We have a certain integrated organization that covers the country.

Senator CHANDLER. Mr. Chairman, let me ask the Secretary a question.

The CHAIRMAN. Senator Chandler.

Senator CHANDLER. You suggested an inventory.

Secretary ICKES. I think there ought to be an inventory of all real estate owned by the Government, and that ought to be in one place, just as you have in every county one office to which you go when you want to find out about title for land, you do not have to go to three or four offices that might have conflicting claims.

Senator CHANDLER. Mr. Secretary, have you a suggestion that you might give to the committee as to the nature of that proposal?

Secretary ICKES. It ought to be set up in the General Land Office.

Senator HILL. You recommend that in your statement.

Senator JOHNSON. Mr. Chairman, on that point, I was informed day before yesterday that at the present time the Army is disposing of surplus agricultural lands under a law that was passed in 1940. Would it occur to the Secretary that perhaps in this bill we ought to immediately freeze such lands and hold them until an act such as Senator O'Mahoney has in mind is worked out and presented?

Secretary ICKES. I think that would be highly desirable. I cannot contemplate with any degree of equanimity the Department of War, perhaps the Department of Labor, and the Maritime Commission, which sent one of its members over to consult me on the matter, the Department of the Interior, and two or three other agencies all handling the land matters. No private business would do it. We talk about overlapping and confusion, and here is an awfully good opportunity for us to do something about it.

The CHAIRMAN. We appreciate what you have to say in regard to that Mr. Secretary. Are there any further questions? If not, Mr. Secretary, we are indebted to you for your presence here. We enjoyed having you with us very much.

Secretary ICKES. Thank you. I am glad to have been here.

Mr. Maury Maverick, Chairman of the Smaller War Plants Corporation.

(Statement of the Secretary of the Interior on S. 2045, a bill to provide for the disposal of surplus Government property and plants, follows:)

At the time of my statement on August 16 before the Senate Committee on Military Affairs, on the subject of proposed legislation for the disposition of surplus property, a request was made for specific comments on S. 2045, introduced by Senator Johnson of Colorado. There are apparently three versions of this measure: first, the original bill introduced on June 23; second, the amendment in the nature of a substitute introduced on August 3; and, third, the undated committee print which was first brought to my attention at the hearing. I will limit my remarks to this last version since I understand it is the one currently under consideration.

Section 18 of S. 2045 declares that no surplus real property, other than sites of industrial plants, shall be disposed of except as specifically authorized by act of Congress. This exclusion of nonindustrial real property from the disposition procedures outlined in that bill would eliminate the need for consideration at this time of many of the matter discussed in the course of my testimony. There is much to be said in favor of deferring action on real-property disposition until a fuller opportunity for working out the details can be had than the present legislative situation affords. Retention of all surplus nonindustrial real property pending further study by the Congress of the best means of providing for its utilization would not involve substantial administrative difficulties or economic hazards. There is also much to be said in favor of dealing with real property by legislation independent of that providing for personal-property disposition. The handling of real property, as indicated in my testimony, presents economic, practical, and legal problems quite different from those incident to personal-property management. Accordingly, I would have no objection to the enactment of a temporary freezing provision such as section 18.

If and when consideration is given to real-property disposition, then I am convinced that the principles outlined in my statement would be a sound guide. The proposed amendments laid before you at that time were directed to the incorporation of the more important of these principles into S. 2065 insofar as not already there. They could also be fitted into S. 2045, although to do so would involve more extensive revisions of the text. I am inclined to think that the enactment of S. 2065 with the suggested amendments would be preferable to an indefinite deferment of action with respect to the question of real-property disposition. On the other hand, I would prefer the freezing provision recommended by Senator Johnson to the enactment of S. 2065 as it now stands. This aspect of his bill was not covered in my testimony for the reason that neither of the earlier versions had contained any provision comparable to section 18.

The relatively brief opportunity I have had to study the provisions of S. 2045 relating to surplus personal property and war plants leaves me with the feeling that, on the whole, they would be less advantageous than the corresponding provisions of S. 2065. The principal aspects in which the former seem to me to be out of line with the needs of the situation are outlined below.

To administer surplus property disposition S. 2065 would establish within the Office of War Mobilization and Reconversion a Surplus Property Board composed of 8 members chosen from various walks of life; namely, consumers (to which class the chairmanship of the Board is to be confined), industry, agriculture, and labor. In addition, there is to be an Administrative Director who would presumably serve as the executive officer of the Board. All of these 9 jobs are to carry salaries of $10,000 a year. The Board is to be assisted by an advisory council composed of 17 Cabinet members and heads of agencies. Frankly, this machinery seems to me to be unduly cumbersome and expensive. Worse still, it would make it almost impossible to pin responsibility on anyone.

The major feature of the personal-property provisions of the bill is the prohibition against the disposition of durable property, with certain exceptions, until 5 years after the end of the war. I know that the purpose of the provision is to prevent dislocations in our national economy, but I believe that it goes a good deal further than is necessary to accomplish this purpose. Moreover, in some respects it would tend to hamper the transition from war to peace by keeping off the markets goods for which there will be a far greater consumer demand than industry can even hope to supply until well after the close of hostilities.

The bill is very incomplete in dealing with transfers of property between Government agencies. It authorizes transfers of surplus property between military

agencies, and to military agencies from civilian agencies, but it does not provide for transfers from military agencies to civilian agencies. This looks to me like saying that the Government should not use the property it already has, but should let it rust and buy new articles of the same kind. The Government, like private businesses, has deferred until the close of the war, whenever possible, replacement of worn-out or over-age equipment, necessary maintenance or construction work, and other civilian property account matters. Surplus military stocks offer the cheapest sources for renewing its civilian physical plant. You will recall that this is a point on which I laid considerable stress in the course of my oral testimony.

The bill also seemingly fails to recognize the claim of returning veterans for preferential consideration in connection with the disposal of articles suited for use in agricultural or small business enterprises.

The war plant provisions do not, I feel, throw as many essential safeguards around the disposition of these properties as does S. 2065. They do not provide for a truly comprehensive system of planned dispositions based on published reports setting forth all pertinent data. They do not require the plants to be kept in production after acquisition from the Government. They do not require the validity of options to be passed upon by the Attorney General. And they single out steel plants for freezing instead of disposition, thus according to the existing units of that industry a protection against competition which is not granted to any other group.

I have difficulty in construing the meaning of section 17 relating to Government competition with private business. It seems to me that what the section intends to say is that the bill shall not be construed as authorizing any competitive activity not authorized by existing law, or as prohibiting any competitive activity provided for in existing law. However, the concluding words "not constructed or acquired for war purposes" suggest the possibility of a construction which would prohibit property so constructed or acquired from being used in a competitive activity, even though the activity had been specifically authorized by act of Congress. If consideration is given to the enactment of section 17, I believe the quoted phrase should be revised so as to read "constructed or acquired for war or other public purposes."

Before concluding I would like to mention one provision of S. 2045 that appears to possess exceptional merit and that has no counterpart in S. 2065. This is the clause in section 13 which declares it to be the policy of the Government that industrial plants and facilities shall be disposed of in a way that will "contribute toward a balanced national economy by maintaining production and employment to the fullest extent practicable in plants and facilities located in industrially underdeveloped areas of the country." The war has tended to equalize in some degree industrial disparities between the various regions of the country, and to bring about a more equitable distribution of industrial opportunities over its entire area. The great aluminum and magnesium developments in the Pacific Northwest and other previously underindustrialized areas of the West are but one example. In the interest of national unity plant disposition programs should be planned with the economic wholesomeness of this trend in mind.

STATEMENT OF HON. MAURY MAVERICK, CHAIRMAN, SMALLER WAR PLANTS CORPORATION AND VICE CHAIRMAN OF THE WAR PRODUCTION BOARD (ACCOMPANIED BY MR. C. C. FICHTNER AND MR. DAVID PODELL)

Mr. MAVERICK. Mr. Chairman and gentlemen: In making this statement this morning, I do so as Chairman of the Smaller War Plants Corporation and as the representative in Congress for small business, but also, after I make my statement, I will make specific suggestions on the bill. I do want to say I think this is a very good bill and a very well worked out bill.

The CHAIRMAN. Which one?

Mr. MAVERICK. S. 2065.

Senator JOHNSON. Have you read my bill yet?

Mr. MAVERICK. There will be some comments by one of my extra brains on that in just a minute. I have some very definite objections to the bill, Senator, but I will give those later, if you don't mind.

I think this is a good bill, and if you do not take any of my suggestions I will still be satisfied with the bill. I do want to say that Congress has to make the rules by which the Government employees and Government officials act. There is a tendency among Government officials to say, "You ought to trust us and give us wide powers and authorities in order to do the job." I do think you ought to trust the members of the executive branch and administrators, but I do think Congress should do its duty and legislate as to what should be done, and that thereafter they should see that that thing is done.

At a previous hearing we had a member of the executive branch testify that there should be no price favors and that there should be no favors given to certain groups, and if gifts are made they should be made by Congress and not by a surplus property administrator.

I want to start out by saying now that small business, or any business in this country, wants no charity, no special favors, no doles of any kind, and I do not advocate them, but it is the duty of Congress to set up such laws as will prevent economic and political convulsions. I am not talking about partisan political convulsions; I am talking about our form of government.

I think there are three points you have got to bear in mind. One of them is that the large supplies must be prevented from favoring the big customers. This disposition of surplus property could easily get into the shape that we got in when the war started, when 100 leading corporations got 70 percent of the business and about 15,000 or 20,000 other corporations got the other 30 percent. There was some excuse for it then, because we got into the war rather suddenly and we did not know exactly what we were doing, but there will be no excuse for that at this time. I believe if surpluses are widely distributed and widely advertised you will get higher unit prices and it will be better for the economy of the country.

We are concerned that small business—and when I say small business I am not expatiating on small business so much, although I think it is the foundation of our economy, but we are concerned that all business receive the fullest possible benefit from the disposal of surpluses, that it not be ignored or handicapped in the unwinding of the war economy, as it was largely ignored in the early stages of the war procurement program. We must not forget that the Smaller War Plants Corporation was created by Congress 6 months after the war had started, at least a year after war production actually started, because Congress found that its policies with regard to a small business were not being done and it was necessary to create this special agency with strong powers.

The wisdom of Congress in taking this action has been borne out by the subsequent broadening of war procurement to include many thousands of small firms and the full production facilities of the Nation. The Smaller War Plants Corporation is now firmly established to protect the rights of small business, to encourage its development, and to turn down its competitive position. This has benefited the total economy, preserved the fundamentals of a free enterprise democracy, and maintained the promise of the return to an unplanned,

uncartelized, full employment, and flexible economy. I want to repeat at this point that when we went into the war and the big business got most of the business, that we were not prepared and we did not get around to settling that until a year after war production started, but the House of Representatives and the Senate have time enough now to prepare.

In the reconversion period which is virtually upon us, we want not only to assure these same objectives but also to stimulate the creation of many new small businesses. When this war started there were 3,500,000 small businesses, and it has now dropped to 500,000, and in order to get back to our economy we ought to jump from 3,000,000 to 4.-000,000 small businesses. We cannot go back to the pre-war economy with millions of unemployed during "prosperity," that is bulging corporate bank accounts, and dividends and "melons," and so forth.

We cannot go back to a national income of eighty or ninety billion dollars which we had in 1939. We have gotten up to one hundred and fifty to one hundred and seventy-five billion dollars, and we have got to stay there if we want to keep from having economic convulsions.

The way that surplus Government properties—plants, equipment, raw materials, semiprocessed goods, and finished articles for producers and consumers—are disposed will vitally affect the Nation for all the years and all the generations to come and determine whether we achieve these objectives—or fail. Does Congress want to leave this responsibility completely in the hands of an administrator, any administrator, with the assurance only of the right to lay down more specific rules later if their policies are not being carried out properly or does it want to lay down minimum rules now—as it might have done right at the beginning of the procurement program?

I think the principles of the present legislation should include the following:

(*a*) That the average little people everywhere, producers, consumers, retailers, wholesalers, have easy access to this vast wealth of Government goods and that they get these goods at reasonable, competitive prices.

(*b*) That little plants—garages, machine shops, and back-yard home factories—have the newest and best equipment instead of antiquated, inefficient machinery.

(*c*) That we not scrap the great national resources of war surpluses if they can be used at home to improve the efficiency of the economy or raise the standard of living in the mountains, on the farms, and in the slums.

(*d*) That we do not dump these values and properties into foreign lands for questionable I O U's at nominal high prices when we can use them here at home. I am not making a dramatic appeal when I do that, because my belief is we ought to sell stuff overseas if we do not need it at home, but I do feel we should see to it very carefully that we do not send stuff overseas just because we are too lazy or too selfish to dispose of these properties at home, because the people need them.

(*e*) That the terms on which little business obtains these goods stimulates their acquisition by existing little businesses and the development of thousands of new little businesses.

Now, concerning the principles of surplus disposal I would like to say this:

(1) The Smaller War Plants Corporation takes the position that a disposal policy on surplus Government property must safeguard those small businesses, foster their expansion, and stimulate the creation of new enterprises.

(2) Surplus machinery, plant, and stocks of raw materials, processed parts and supplies should be made available to small manufacturing businesses conveniently and without delay for normal production. The disposal agencies should not withhold property merely to maintain wartime price levels, but in following this course they should not dump goods beyond the capacity of industry to absorb them. In certain industrial goods, such as certain machines, component metal parts, such as nuts, bolts, and so forth, and hand tools, there can be devised a piecemeal periodic sales program to test the absorptive capacity of the market.

(3) To overcome the special handicap under which small industry operates, such as lack of specialized professional and administrative service, lack of full information, and difficulties of short- and long-term financing, and so forth, the Smaller War Plants Corporation should be authorized to purchase, earmark, or otherwise acquire surplus property for distribution to small and new industrial units on terms which will place small business on a parity with big business.

(*a*) Equal opportunity to purchase property should be given small business by offering goods in small lots. Although it is easier for a Government agency to dispose of large stocks in quantity to large purchasers, the wartime injustice of giving large orders to large contractors because of ease and speed must not be repeated. Indeed, the industrial concentration developed under wartime pressures must be reversed by special considerations to small businesses to correct the artificial dislocations to which they were subjected in the war economy.

I want to say that the small manufacturing plants in this country have been proportionately reduced to getting one-half to what they got before the war. They have been cut right square in half when they should have been doubled, so they are getting about one-fourth of what they ought to get.

(*b*) Complete informational facilities should be established in the Smaller War Plants Corporation so that the widest possible advertisement of surplus property for sale may be given to a small business. The Smaller War Plants Corporation should receive from the disposal agencies advance notice of proposed sales and their terms and conditions. The Corporation should have the privilege of being consulted on terms and conditions required by small business.

I have an idea that if they have widespread publicity, the people who live up in the mountains of North Carolina and western Colorado, and all over the country, and people who live in the city districts, if you have widespread distribution and enough publicity about it, it will result in raising the standard of living of the American people. In other words, if he buys a pair of shoes for $2 or $1.50, he will have that pair of shoes and he will buy another pair for $5. I think this thing has got to be gotten rid of at reasonable prices, and there is no limit to the absorption of these goods by the American people.

Somebody said to me it is going to let the people down South, where we live, have too much. I said, "I want to let them have three shirts instead of two."

Senator HILL. What about shoes?

Mr. MAVERICK. I want to let them have anywhere from 1 to 10 pairs of shoes. We want to get on a level with the Yankees.

Senator CHANDLER. All God's chillun got shoes.

Mr. MAVERICK. All God's chillun got shoes, and I want them to have more shoes.

(c) Because wartime conditions have made it difficult for small industrial units to expand their equity capital or build up their surplus under prevailing high tax rates, and because of their normal difficulty in getting adequate financing of fixed assets, small industrial business must be given liberal credit terms and long-term leases in the acquisition of plant and machinery. The Corporation has had highly useful experience in term lending, machinery leases, participation loans with banks, and has developed an experienced staff of field loan agents which would enable the Corporation to carry out a program of distribution of machinery. The Corporation regards such machinery as a means of modernizing many small shops so that their unit costs of production may be reduced, thus strengthening their competitive position. The distribution of machinery to small industry will increase jobs in a segment of our economy which normally employs about half of our factory workers; it will result in additional goods at reasonable prices and thereby contribute to a higher standard of living for all. This is a point that is not widely discussed, and it is one of the most important points in our economy.

Senator O'MAHONEY. Would you object to a question at that point?

Mr. MAVERICK. No, sir; go right ahead.

Senator O'MAHONEY. I have been interested in your proposal that the Smaller War Plants Corporation be authorized to purchase some of these supplies as a sort of an intermediate agent preceding the distribution to little businesses. Do you think that would be a superior plan to an arrangement for the regional distribution immediately to those who have the present use, and if it is not fair why do you think it is not?

Mr. MAVERICK. I do not think the two are in conflict. I think ours is cumulative. I also want to say this power of purchase that we have here is comparable, as far as I can see, to what we have in the Smaller War Plants Corporation in the taking of prime contracts on anything we want to take from the Army. We have the right to take a prime contract from the Army, Navy, or Maritime Commission, when, as and if that is certified by the Chairman of the War Production Board. That power has practically not been used at all, and I would not be so disagreeable as to say that occasionally you have to use a club over the Army, but I would say this power that has been given to us by Congress has been very beneficial in obtaining business for small plants.

Senator O'MAHONEY. I know that the record of the Corporation has been excellent in that respect, but I am wondering whether, in the disposition of surplus property, there might not be a danger that your Corporation would become, in a sense, a competitor with small enterprises for particular materials. How can it be determined by the Administrator, for example, as to what materials would go directly to little businesses and what materials you would have the right to take?

Mr. MAVERICK. I think that depends, of course, largely on the cooperation of the Government officials, and on experience. I would say that we have leased millions of dollars worth of machinery. We

have 118 offices over the United States, and our dealings have all been with small plants. We have a staff now of 1,800 men who are well trained and who know that situation better than anybody else.

I think one of the dangers of legislation right at this particular time in the United States is that Congress is liable to pick up and make an entirely new piece of legislation and not utilize the groups of people that they have at their disposal. When I came into the Smaller War Plants Corporation I heard some criticism of it, and I have heard some since. In any event, my predecessor went through a primary stage that was pretty brutal, pretty hard. I came in there after mistakes had been made, so I got the credit for an experience of 2 years which I do not deserve. But we have got that experience, and I think we ought to have that power. We are not going to use it arrogantly or in any overbearing way. On the other hand, we have used the prime contracting power with the Army.

Senator O'MAHONEY. You would not want the Smaller War Plants Corporation to act as a brake on the distribution of this stuff, would you?

Mr. MAVERICK. No, sir; I want to work it so it really gets to the small groups so that there is less speculation, less inflation, and it gets there more rapidly rather than more slowly. That is the main reason.

Senator CHANDLER. Why do you want to be the distributing center for small business?

Mr. MAVERICK. No; we do not want to be the distributing center for small business.

Senator CHANDLER. Do you think it ought to go direct to little business?

Mr. MAVERICK. I think most of it could go there, but we want to help to some extent in small lots. There is always an inclination—and this is entirely without reference to a particular individual—there is always an inclination for a man who has got 1,000 head of cattle to sell them all at one time. He saves himself a lot of trouble in doing that rather than in selling 10 here and 10 there. That is the inclination that they had at the beginning of the war. There the Army officers, very rightly, want to win the war, and this is nothing against them. They say, "We will give this to such and such a corporation that will handle a $100,000,000 contract." They did not want to give it to little people.

We want something similar to our prime contracting power, to insure that that is done. We do not want to build warehouses or build up another bureaucracy and compete with them.

Senator O'MAHONEY. Let me give an example of what I had in mind, Mr. Maverick. Let us suppose that the Army declares surplus 1,000 trucks, but these trucks are in various parts of the country, some of them on the Pacific coast, some on the Gulf coast, and some in the interior of the country. Now you would not want the Smaller War Plants Corporation to gather all those trucks up, sent to their warehouse, and then redistribute them?

Mr. MAVERICK. No, sir.

Senator O'MAHONEY. It would be much more efficient to have them distributed in the areas in which they were declared surplus.

Mr. MAVERICK. On the other hand, there might be a superconcentration of trucks, of 1,000 trucks in one place where they were not properly distributed, and then we ought to have the authority to say where

they are to be distributed. You gave a good example; I want to give you a bad example.

Senator O'MAHONEY. You are a great diplomat.

Mr. MAVERICK. The bad example is where, for instance, in Philadelphia they unload 10,000 or 20,000 trucks and they need them spread out over the farms of the country. I want to be able to say, "Now, listen. This has got to be spread out, boys, so the little man gets it and it does not go to the big boys."

Senator MURRAY. You would only undertake to exercise this power where you found that the smaller plants were not able to get their proper share, I suppose. For instance, in the distribution of tools, the demand of a small plant for tools would sometimes be so insignificant that it would not be practical for them to deal directly with the agency that had these tools for distribution.

Mr. MAVERICK. Yes, sir.

Senator MURRAY. So you would be able to step in and provide for these tools to be distributed directly to the smaller plants?

Mr. MAVERICK. Yes, sir.

Senator MURRAY. And only when you found that they were not being taken care of.

Mr. MAVERICK. Yes, sir; that is right. We are doing just that thing now.

Senator JOHNSON. I want to ask about the likelihood of the continuance of the authorized Smaller War Plants Corporation. The words in the title are "war plants." Now we are talking about post-war. Is it your idea that the Smaller War Plants Corporation will continue through the post-war period, continue indefinitely? What is its termination?

Mr. MAVERICK. It terminates on July 1, 1945, but my personal opinion is that an organization which has to protect free enterprise and small business should be continued through the post-war period.

As for as changing its name is concerned, Jesse Jones still calls his corporation the Reconstruction Finance Corporation, the one that Mr. Hoover started. So far as the name is concerned they can leave it just as it is.

Senator JOHNSON. I wondered about that when I read S. 2065. It has reference to the Smaller War Plants Corporation, and it is taking for granted that this Corporation is going to be continued. I wondered whether that had taken into consideration the fact that an act of Congress must ensue before it will continue?

Mr. MAVERICK. Of course, you have all kinds of war agencies up here that are going to die out at anp time during the next 6 months, unless Congress decides to continue them.

Senator MURRAY. Mr. Maverick, there is a bill pending to extend the life of the Smaller War Plants Corporation and to change its name to Smaller Business Corporation.

Mr. MAVERICK. I am not a prophet, but I think, from what experience I have had, the organization presently known as the Smaller War Plants Corporation is going to be continued.

Mr. Chairman, in order to continue my discussion I am going to talk about something now that is known as the multiple rental plant, and it is extremely important. We are facing in America today a situation which few people realize. After the last war we had the

Tennessee Valley Authority and we screamed and hollered about T. V. A. for years, and today we have in America something like 470 to 500 plants almost as big as Muscle Shoals, and in most cases much bigger. We have thousands of smaller plants—and I do not mean in my category but fairly big plants—and the disposition of these big plants, built by the Government, which are now producing for our economy is something like 300 to 400 times as big a problem, compared to what it was after the last war. So we come to this principle of Government and economics. That is to say, who is going to keep up this full economy? The American people, the Congress, the post-war committees, the Baruch Committee Report have all rightly decided that we must continue the free enterprise system. We all agree on that, and those that do not are a very, very small number. So if we go out to a certain area where we have a very large plant that hires 10,000 or 20,000 people, that plant cannot be sold to local communities, because that local community may not be able to buy it. In other words, there should be very liberal leasing provisions, so you can have a multiple renting plan for the plant. If you take a plant like the Bush Terminal in New York and the Amoskeag plant in Manchester, N. H., those are the kind of plants where these small enterprises can get started. That is something that Congress has got to be thinking about now, and that is going to require some temporary management.

Because most Government plants are too large to be acquired by small business, a program should be considered for their subdivision for lease by small-business facilities. The management of such industrial centers could either be on a local community enterprise basis or under the supervision of a Government agency, such as the Smaller War Plants Corporation, until such time as private ownership-management is developed.

Now when I say "management" I want to be careful in what I am saying. I am not talking about the Government getting into business, I am talking about the Government leasing properties to these small plants in this reconversion period. I am not talking about running their business for them at all, I am talking about managing the supervision of it.

Obviously if you go to the small town where they have got 10,000 workers, they never had those before, and it is very likely that they cannot get started again. There are two things liable to happen. If we turn this purchase loose and say we are going to sell it to the best bidder then we cannot sell it to the people in the community. Say this plant cost us $150,000,000, we cannot sell it for $150,000,000 to anybody in the community, or for $75,000,000 or even for $25,000,000, and then again maybe somebody has got an option on it. The local people, the people in that part of the country, we will say it is in the West, or in South Carolina, the new business has started there but the local people could not buy that plant with local funds at all. Some monopoly, somebody that wanted to restrict production might buy that plant at a very small cost, raise the prices on the products and close the plant. It might be in California, it might be in Texas, or it might be in any other part of the United States. That is an economic question of the highest importance that we have got to consider.

Senator O'MAHONEY. What reason do you have to believe that small enterprises would spring up in such local communities to take over such plant?

Mr. MAVERICK. The reason I have, Senator, is because in the Amoskeag plant at Manchester, N. H., we had a good example of this. They had two textile groups there, very large ones, which went bankrupt, the town was in bad shape, but they organized one little industry here and one little industry there until they got 35 industries back in the town, and they got to work on account of the small people taking over the plant.

Senator O'MAHONEY. You say they organized. Who organized?

Mr. MAVERICK. The community did.

Senator O'MAHONEY. Your thought is local communities, where these plants are situated, should take the initiative in encouraging the establishment of little enterprises in these plants?

Mr. MAVERICK. Yes, sir; something like a fair where each man has a loft there.

Senator JOHNSON. Like a public market.

Mr. MAVERICK. Like a public market; yes.

Senator O'MAHONEY. This New Hampshire incident had to do with textile manufacture, did it?

Mr. MAVERICK. Yes. The Busch Terminal in New York has numerous things in it. There are seven of these plants that have been successful in the United States.

Senator CHANDLER. You think the small plants should be held and local people should be given every opportunity to operate them? They should not be sold just because you can get money for them?

Mr. MAVERICK. They should not be sold just because you can get money for them, that is right. I actually believe that if you do not have any strict rule but you have a rule that you should try to sell it to the local people, that in the end you will get more money than if you take the things and sell them off to anybody. Let us say some big chemical company—not mentianing any names—wants a plant, they can go some place and get a plant amounting to a couple of million dollars, they can buy the plant very easily. They can go to Wall Street and get the money at three-quarters of 1 percent or 1 percent interest, while somebody else can go to these places and cannot get any money. I know of places in Texas that these people can go and buy them at a small amount and close them up, and thereby cause unemployment, and then they can raise the price for that particular metal or that particular fabrication. Now what we want is full production. We want those things to keep going so we can keep people working.

Senator O'MAHONEY. The War Production Board has recently reduced the output of aluminum. Without having looked into the case at all myself, I assume that there are some aluminum plants built by Government money, as the result of that cut-back order, will not be operated. How would such a plant, built for the specific purpose of producing aluminum be used by little business?

Mr. MAVERICK. I think, of course, there are some kinds of business that cannot be used by little business, but most of them can be used by free enterprise and by regional ownership.

In reference to that particular question, my personal opinion is—and I do not develop the policy of these—I think that the reconversion program of the War Production Board should be put into effect, and I think when you close down these aluminum plants and do not relax these L. and M. orders, that you are holding up reconversion, which is not a good thing when you have the manpower. I do not know the details about this aluminum proposition, you understand.

Senator O'MAHONEY. Surely.

Mr. MAVERICK. The tendency, we will say, of course, is to close all these Government plants smack dead, which, of course, cuts down employment. My personal opinion is that some effort should be made to make it so that they can continue in operation.

You take the steel mill in Utah; there is $150,000,000 spent in Provo, Utah. What are we going to do with it? Are we going to take the $150,000,000 plant and junk it because the taxpayers paid for it?

Senator O'MAHONEY. Unless reconversion is accomplished by a relaxation of the L. and M. orders it is going to be a difficult job.

Mr. MAVERICK. I am not making a western or southern appeal here.

Senator O'MAHONEY. Go right ahead.

Mr. MAVERICK. I am not making a western or southern appeal here, but I want to tell you what we have got to have is an equality of economy in this country, so we do not have these vast and sudden migrations and the problems connected therewith in different parts of the country. If we continue the Pittsburgh-plus system and discriminatory rates in the South and West, those plants will close down and we will have unemployment on a scale that America has never known before.

Now, with regard to proposals (c) and the last one I made, the Corporation is opposed to bulk sales which tend to monoplistic control. I think Mr. Ickes said that too. It is opposed to proposals to export scrap Government property based on grounds of "clearing the market" for additional new production of the same machine or materials. Such waste through scrapping and dumping is uneconomic and in the long run will destroy jobs rather than make them.

To a discouraging extent small manufacturers today are worrying along with a great deal of worn and obsolete machines. Most of the machinery held by the Government is of a far superior quality to that owned by small business. In other words, we want to retool small business throughout the country as well as offering machines to the new businesses. To maintain the competitive position of American industry, to strengthen small manufacturing, and to expand production for the benefit of consumers, this modern machinery could be offered to manufacturers in exchange for their old equipment which, in turn, could be made available for export to those areas of the world whose stage of industrial development and ability to buy would be more adapted to this type of equipment. In other words, we do not want to send our best machinery overseas, if small industry can use it to better advantage here.

I want to pass through this bill rapidly and tell you, page by page, what I think of it. As I said, gentlemen, this is a good bill and if you do not do anything I ask you to do it still would be all right. There are some amendments that I would like to suggest, and the first one is on page 3, line 5, where I suggest you add "to foster the development of new enterprise." It now reads:

(2) to facilitate the transition of enterprises from wartime to peacetime production and of individuals from wartime to peacetime employment with due regard to the necessity of discouraging monopolistic practices;

I would add to that—

to foster the development of new independent enterprise.

That is on account of the returning veterans and would aid in keeping up a full economy.

Senator O'MAHONEY. That is a good addition.

Mr. MAVERICK. Thank you, sir. The next one is on page 7, line 23. It is subsection (g) under section 3, "Administrator's Duties and Authority." You pass down to (d) and it says:

To effectuate the objective of this Act to aid honorably discharged veterans to establish and maintain their own small business or agricultural enterprises by assigning such veterans suitable preferences to the extent feasible and consistent with the policies under this Act in the acquisition of the types of surplus property useful in such enterprises. The Administrator in cooperation with the Administrator of Veterans' Affairs—

I want to add in there—

and the Chairman of the Smaller War Plants Corporation.

There may be a little vanity in there.

The CHAIRMAN. That comes after "Affairs"?

Mr. MAVERICK. That comes after "Veterans' Affairs," and I would add "and the Chairman of the Smaller War Plants Corporation" because we are interested in veterans and we want to help them out as much as we can. We have got a lot of veterans around there and we are going to get some more pretty soon. This specifically refers to small business.

Then in section 4, page 8, between lines 2 and 3, I want to add certain words which are in the contracts-settlement bill. That has already been adopted by Congress, so this is not a new policy. It is a little too long for longhand writers to take down, but I would like to add a clause known as subsection 8 (h), which comes after (g) just before the words "Section 4", to read as follows:

(h) To collaborate with the Smaller War Plants Corporation in the development of procedures and policies which will insure that small businesses shall receive fair and equitable treatment in the acquisition, use and disposal of surplus properties.

Those are exactly the words that have already been adopted in another law.

Senator HILL. In the war-contracts bill?

Mr. MAVERICK. Yes.

Senator HILL. This committee adopted that language.

Mr. MAVERICK. This committee adopted that language. I am giving you your own language.

In section 6 which is headed "Surveillance by Congress" I should like to suggest a change there. This is not exactly a sermon that I am going to deliver and it is not relevant to my business, but I want to say I think the word "surveillance" should be taken out and the words "review and cooperation" be put in there.

On line 14 where it says "and shall otherwise maintain continuous surveillance" I suggest the use of the word "review."

I just want to say as a matter of policy I think Congress should have more control of the agencies of Government, it should cooperate with them, and not to say you don't know all about them now, you ought to know more about them and you ought to have more to do with them, but when you have the word "surveillance" in there, that is generally the word you use in reference to people you watch and suspect of criminal acts. I want to say if you use the word "review" it would be better.

Senator O'MAHONEY. Mr. Maverick, you used to be a Member of Congress.

Mr. MAVERICK. Yes.

Senator O'MAHONEY. I would like to ask you how you think this first sentence can be enforced. It is a mandatory direction to the appropriate committees of the House to study these reports.

Mr. MAVERICK. I do not know.

Senator JOHNSON. What about the right of Congress to make their own rules? Does this directive in a law attempt to change that prerogative that they now enjoy?

Mr. MAVERICK. I do not think so.

Senator JOHNSON. This whole section.

Mr. MAVERICK. I do not think so.

Senator JOHNSON. It is just a gesture then.

Mr. MAVERICK. I think if you take out the word "surveillance" and say "review and cooperation" that it would be a more powerful word and would be less of a gesture. That is what I think.

Senator HILL. Let me ask you about that subsection (b) in section 6.

Mr. MAVERICK. Yes.

Senator HILL. Do you think that ought to be expressed in more detail? Is not that pretty general? Have you read that subsection (b)?

Mr. MAVERICK. I had some discussion on that. I think it ought to be in more detail, but my mind is not perfectly clear on that.

Senator JOHNSON. On page 22, if I may point out, Senator Hill, there is another section there that goes into detail.

Senator HILL. On page 22?

Senator JOHNSON. Yes; section 18 of S. 2065. That goes into considerable detail.

Mr. MAVERICK. I would like to express my opinion on that. When you ask for reports some people think that we, whatever you call us—some people call us bureaucrats—that we look at that lightly, but we do not. For instance, the Smaller War Plants Corporation has got to make a report every 2 months, and it is a lot of trouble and a lot of worry. Every month I have to make a little better showing than I did last month. If I were to continuously four-flush, I would get caught at the end of about 10 months.

Senator JOHNSON. That reporting business is a good thing for you, is it not?

Mr. MAVERICK. I would say it is a good thing for me, because I go out there to Mr. Robison, who has to make the report, and say, "Why is not the report ready?" When they bring in the report I say, "By God, who wrote this? Don't you think we ought to do better than this?" So next month we do better. So I think continued reviews by Congress is a very desirable thing.

Senator HILL. It is a good spur, is it not?

Mr. MAVERICK. It is a good spur.

I want to pass to section 13, "Small business," and then go to page 18.

Senator HILL. What is the subsection there?

Mr. MAVERICK. Subsection (e). It says:

The Smaller War Plants Corporation shall have the power to purchase any surplus property for resale or other disposition to small business—

and then we would like to see added—

and is empowered to receive other property in exchange as partial or full payment therefor.

Senator HILL. Where would that come?

Mr. MAVERICK. Right after "small business."

Senator O'MAHONEY. You do not have the power now?

Mr. MAVERICK. No; we do not have the power now. I will ask Mr. Fichtner to explain that.

Mr. FICHTNER. In our observation, many small manufacturing businesses are handicapped by old and obsolete machinery. It would be most helpful to the future of small plants if the program of disposal placed higher quality Government-owned surplus machinery and machine tools in their hands. It would lower their unit costs, increase their competitive position, and reduce pressures on wage rates. A machinery modernization program would be furthered by some kind of exchange provision of new for old machines which could be scrapped or sold in regions of the world where cheap labor makes the use of such machinery economical. As the chairman has testified, if machinery is to be exported under a rehabilitation program, the small industries of the United States should first be offered the opportunity to buy the new equipment. To the extent that small industrial units wish to release certain types of machinery to acquire the new, or other types, and in order to effect that exchange, the Smaller War Plants Corporation would find it helpful to have a power of exchange, although the general program need not necessarily be based on an exchange procedure.

Senator JOHNSON. Does this mean a small industry can trade in its worn-out and old machinery for new machinery?

Mr. FICHTNER. It is hoped that some such program can be devised.

Senator JOHNSON. With no differential in payment?

Mr. FICHTNER. No; with due consideration given to current values. The normal channels of trade should be fully utilized but in such a broad program it might be a question whether the used machinery dealers could carry it out fully without adverse consequences to the price structure.

Senator O'MAHONEY. Don't you think that power ought to be spelled out a little more in detail than the language you propose?

Mr. FICHTNER. The working out of the program would require very intensive study and cooperation of the various agencies and the trade.

Senator O'MAHONEY. This language contains no standard of quality. It would be absolutely in the judgment of the administrative official as to what the basis of exchange should be.

Mr. FICHTNER. The proposed power to purchase Government surplus machinery does not include the power to purchase or exchange other machinery in the hands of small industrial units.

Senator O'MAHONEY. I can understand the desirability of such an exchange, so that American small enterprise may have the advantage of the very best machines available. If any machine is to be shipped elsewhere it would be the obsolete or worn out or more greatly used machine, sure. I was just thinking of it as a matter of draftsmanship.

Senator MURRAY. As I understand it, the idea would be that the Administrator would take care of those details in preparing the plans, rules, and regulations under which the policy announced here would be carried into effect.

Senator JOHNSON. Mr. Maverick is just giving us the thought.

Senator CHANDLER. Mr. Fichtner, would existing small business plants in local communities be given the first opportunity to exchange? Say a small plant had old and worn out machinery and equipment and you had on hand surplus equipment of the kind they use, in good order, would you give them, under your plan, the first opportunity to acquire new machinery and substitute in lieu thereof or turn in as part payment therefor the old machinery and pay the difference? Would you give them the first opportunity of going into that community and try to help them establish new small business and let them have the advantage of good equipment?

Mr. FICHTNER. We have not proposed a rigid system of priorities but have proposed that small industrial plants be given a reasonable opportunity to acquire better machines on attractive credit terms. We have begun a survey of small industrial plants to determine what types of machine tools they will find advantageous for civilian production, how many and on what terms.

We do not have those facts at present. I do not know anyone who has those facts. In conversation with many of these plant owners we find that they probably, in many cases, might not contemplate a great expansion in their total number of machine tools, in addition to what they now have, but might be interested in a replacement program.

Senator CHANDLER. Some of those plants have worn out equipment and have not been able to get new equipment since the war started.

Mr. FICHTNER. That is right.

Senator CHANDLER. You are going to find some businesses that have survived the war, they are small businesses, but still they are in need of equipment such as you indicate may be available. Would you let them have some new surplus machinery and equipment with which to continue to operate, or would you just let them go along with what they have got, and do the best they can, and maybe go there and sell in that community some new machinery of the same kind to some fellow that wanted it to start new business?

Mr. MAVERICK. Senator Chandler, I can give you an example on that. I think when an established business wants machinery they should not be left to go busted. There is a wagon company down in Kentucky, they are already talking to us about getting new machinery to get started. It is an old established wagon company. I cannot think of the name now.

Senator CHANDLER. Owensboro.

Mr. MAVERICK. Owensboro; yes.

We have been talking to them. In numerous instances like that we have been doing it, as far as that is concerned.

Senator CHANDLER. All right, that is fine.

Senator DOWNEY. Mr. Chairman.

The CHAIRMAN. Senator Downey.

Senator DOWNEY. It seems to me, Mr. Maverick, that any of us would heartily approve of any reasonable attempt to secure for our small manufacturers, or any other groups, the most modern and efficient machinery, and I certainly know, from the very efficient efforts of your group in California, that you can perform a most valuable function in that. I am thoroughly in agreement with you on what you said as to that, but it does seem to me unfortunate that we here officially should even talk about a governmental policy that would result in exporting out of the United States to other nations obsolete or second-hand, or third-rate machinery. I think it would be unfortunate to even discuss such a thing. In the first place, we have in the United States modern machinery that can produce a national income of one hundred and fifty to two hundred billion dollars. In addition to that, we have such titanic production in our machine-tool industry just in the course of 2 or 3 years that we could produce the machine tools that we need ourselves plus all our exports abroad. I do not know what is going to happen in the world of internationalism, but I for one would be very much against any official pronouncement of governmental policy that with our titanic supplies at present of efficient tools and our capacity to produce almost to infinity we are going to declare a policy that we are going to export abroad our obsolete or second-rate machinery.

Mr. MAVERICK. Mr. Downey, I, for the first time since I met you, disagree with you.

Senator DOWNEY. Maybe this is the first time I have been right.

Mr. MAVERICK. No; you have been right ever since I met you—not all the speeches you made in California, but everything you said since then.

Senator HILL. You are not implying you are not for ham and eggs?

Mr. MAVERICK. It might have been an implication, but I do not want anyone to think that. Anyhow, if we would see that this world is prosperous we would have less wars in it. This industrial opinion of mine is based, I think, on facts. We have very modern textile machinery which can produce 10 times as fast as the machinery we have got now. Would you want to send that machinery overseas to the Chinamen? They haven't got the same labor standards.

Mr. Wallace came out for a quart of milk to everyone, and he got criticized for it, and then I think he came down to a pint.

Senator CHANDLER. Maybe they don't like it.

Mr. MAVERICK. I am in favor of 2 quarts. I think it would be a good thing to get rid of our machinery. I don't think it would hurt us, because we have got to help raise the standards of the rest of the world, to keep them from waging war.

Senator HILL. So far as the language in subsection (e) is concerned, even if we adopt your amendment, all this does is to give you the power to purchase surplus property for resale. That language itself gives you no prior right, or no preference, or anything of that kind. Is there anything in here that you have got to suggest, that you would like to add to it, so you will be sure to get that consideration that you think the smaller business interests in this country ought to have in the purchase of this property? Maybe there is something in this bill that does give you the power. This gives you the power to buy, but I have seen lots of power that could not be exercised.

Mr. MAVERICK. I would like to say that I will delegate the job of handling it to Mr. Podell here, who is our general counsel, to handle it as far as he can.

Mr. PODELL. We certainly would not object to giving a preference, as the original draft of this bill I think is worded.

Senator HILL. In order that the committee may have it before it for consideration would you submit some language here?

Mr. PODELL. Yes; we will be glad to do that.

Senator JOHNSON. I just want to mention with respect to the necessity of purchase and sale of machinery and casting about for a new name for the Smaller War Plants Corporation, that we might call it "jobbers in new and second-hand machinery."

Mr. MAVERICK. We are now. We are experienced at that and we are good.

Senator HILL. I think Mr. Maverick is entitled to a little better sounding title than that, though. I don't like that title.

Mr. MAVERICK. A little better salary, too.

Now, Mr. Chairman, I want to put in the record at this point—I will not bother you with reading it, but I want to put in the record—two drafts of the multiple plant provision. This is something that we knocked off very rapidly last night. If it has the provisions in there about management, that looks like the Government is getting into business, and we do not mean it. We mean by this, that we want it so you can lease to small plants and so you can get the multiple plant provision started.

(The provisions referred to are as follows:)

MULTIPLE PLANT PROVISION

The Smaller War Plants Corporation is hereby empowered to make a study and survey of surplus Government war plants in order to determine whether they are capable of subdivision for the use of small business concerns. Should it so conclude as to any surplus war plant, it is hereby authorized and empowered, in cooperation with the Surplus War Property Administration to facilitate, financially and otherwise, the development of such plan or program and its operation, and the Corporation is further authorized to make the necessary expenditures out of its capital funds, including, but not limited to, alterations, installations, or facilities, and for the effective administration of any such multiple tenancy program with a view to the ultimate disposal of such property in a manner that will preserve and strengthen the competitive position of small business enterprises.

SOFTER MULTIPLE PLANT PROVISION

Before disposing of any sizable Government war plant which is, or might be, capable of subdivision, for the use of small business concerns, the Administrator shall consult with the chairman of the Smaller War Plants Corporation to determine whether any such multiple tenancy plan is feasible, and should he so conclude, he is hereby authorized and directed to facilitate, financially and otherwise, the development and operation of such multiple tenancy plan and administer the same, either directly or through the medium of the Smaller War Plants Corporation, in order to preserve and strengthen the competitive position of smaller enterprises.

Senator HILL. The gentleman said he struck that off rather hurriedly, last night. It must be hours before we will leave here. I suggest that he take his copy and work on it and see if he can refine it and superrefine it and, if he can, let us have the last draft.

How many of your recommendations to the committee have been embodied in the suggested amendment?

Mr. MAVERICK. I would say practically every recommendation we have made has already been embodied in there. As I said in the beginning, this is a swell bill, it is a very fine bill, it is one of the best bills that has ever been written, but of course no bill is perfect until you have washed it out two or three times, kicked it around and debated it. I imagine the bill can be improved. I think the suggestions we have made are improvements. This multiple rental plan in my opinion is of outstanding importance in the economy and the future of America of the free enterprise system. I just got on to that about 6 weeks ago and that is the reason it has been so slowly developed.

Senator HILL. Then all the recommendations you have have been reduced to amendments?

Mr. MAVERICK. Yes, sir.

Senator HILL. In other words, you have your amendments which carry out your recommendations?

Mr. MAVERICK. Everything is either in the bill or has been brought in this morning and refinements or corrections will be presented by tomorrow morning.

Senator MURRAY. Mr. Maverick, in carrying out the policy of multiple occupation of these plants, in the Amoskeag case it not only resulted in occupying and utilizing the full building, but it changed the town from a one-industry business and diversified it so that they were no longer affected by a depression in that particular industry. That would be a very desirable situation in the entire country, in utilizing these plants, to have various kinds of industries occupying these buildings instead of one enterprise.

Mr. MAVERICK. I am mighty glad the gentleman from Montana brought that out, because that is one of the most important things that we face. If we go to a town and it has just one business, as that town did, a town that was broke and bankrupt and it was rehabilitated on the basis of getting numerous industries in there, that shows it is very helpful to a town or a community. All industries do not go broke at once. That is one of the benefits of the multiple rental plan that I forgot to bring out. I thank the Senator very much.

The CHAIRMAN. Are there any other questions or observations by any members of the committee? If not, we are very much obliged to you, Mr. Maverick. We enjoyed having you and listening to you.

STATEMENT OF HON. WILLIAM L. CLAYTON, SURPLUS WAR PROPERTY ADMINISTRATOR

The CHAIRMAN. Mr. Clayton, I do not think you need any introduction to these gentlemen, they all know you. You may proceed. We are glad to hear what you have to say in regard to the matters before us.

Mr. CLAYTON. Mr. Chairman and gentlemen, I would like to take a few minutes to review very briefly some of the history of the efforts that have been made to write legislation concerning the disposal of surplus war property. At Senator Murray's request, which he transmitted to me, I think around the 10th or 12th of May, we commenced, in the Surplus War Property Administration, to give active consideration to recommendations for legislation. We had asked up to that time to be excused from doing so, for the reason that we wanted to

get more experience in our work. We were very much preoccupied with the very difficult task of organizing our new agency at that time and we had, for these reasons, asked to be excused from giving recommendations on legislation. However, at Senator Murray's urgent request and statement that a bill would be introduced about the 1st of June, we undertook to tackle this problem. We formed a legislative committee, of which I was chairman, and on which there are represented 10 or 11 of the Government agencies principally interested in this question. This committee labored very hard for about 2 weeks, had many sessions, and in the end drew up a bill which was presented before Senator George's committee, I think around the 16th of June. It was presented really on the 2d of June and the hearing started on the 16th of June.

I would just like to say, Mr. Chairman, that in every important particular in which the bill that you are considering today, S. 2065, differs from the bill that we recommended, the subject matter of that difference was presented to the legislative committee, was carefully discussed and considered by them and voted down.

Senator AUSTIN. What committee? Your legislative committee?

Mr. CLAYTON. It was a committee that we really did not form, Senator Austin. It was formed by Mr. John Hancock to work on the contract settlement legislation, and we made use of the committee of Government agencies which had acted in reference to that bill.

Senator JOHNSON. Has that committee been continuous? Does it still operate now? Has it followed the trend of these bills and changed its mind in any particular, or did it finish its work and then was dismissed?

Mr. CLAYTON. We have had no further meetings of the committee since the bill was recommended.

Senator JOHNSON. Then that legislative group did not have the benefit of all of the testimony that has been offered before the committee of Congress on the subject since that time?

Mr. CLAYTON. Since the 2d of June? Well, I am sure most of them have read it, but we have not had a meeting of the committee to discuss it.

Senator JOHNSON. That is what I mean, whether the committee was still functioning.

Mr. CLAYTON. We had a small drafting committee, and I have been in frequent consultation with that small drafting committee about the bills which have been introduced and on which hearings have been held since the second of June.

Senator O'MAHONEY. Mr. Clayton, did I understand you to say in every particular in which S. 2065 differs from the recommendations which your legislative committee made to the George committtee your Legislative Committee has rejected the suggested changes?

Mr. CLAYTON. In practically every important particular, yes, sir, that is correct.

Senator O'MAHONEY. Are you prepared to give us a list of the specific changes which were voted down?

Mr. CLAYTON. I can go over the bill, Senator O'Mahoney.

Senator O'MAHONEY. I mean at your own convenience.

Mr. CLAYTON. Yes, sir; I can do that, and I will be glad to do it.

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Senator O'MAHONEY. May I ask you to insert in the record at this point a list of the names of the members of your legislative committee and the functions that they perform?

Mr. CLAYTON. I will give those to you for the record later.

I have on several occasions testified that satisfactory surplus property legislation must meet the test of administrative workability and that provisions of general application must be carefully examined to be sure that they merit general application.

On examination of S. 2065 in the form in which it is now before the Committee it leads me to suggest that the Committee carefully consider the following questions:

1. The committee should visualize the actual steps which an administrator would have to take in carrying out each particular provision of the statute, bearing in mind the enormous number of individual transactions which may be involved. If this analysis discloses that the necessary administrative action would be cumbersome, complicated, and time-consuming, then the committee must face the fact that, however desirable the purpose of the provision, it will impede the program, run counter to the objectives of prompt and orderly disposal, and, in the case of plant disposals particularly, delay reconversion and reemployment.

2. This is, of course, particularly true of provisions which either impose a mandatory delay on the sale of property or which require that the Administrator before making any sales must either obtain the approval of or collaborate or consult with some other agency or group. The Administrator's task is going to be difficult enough without adding to the inherent delays by statutory provisions.

3. The disposal program can succeed only if buyers can be found. Any type of provisions which will frighten away buyers will enormously hamper the program. This is particularly true of provisions imposing terms of sale which purchasers would regard either as burdensome or as raising any cloud on their title to the property acquired. It is equally true of any provisions which would in effect subject a businessman's offer to public renegotiation in the halls of Congress. Businessmen simply will not buy under such circumstances.

4. Provisions for mandatory price preferences or donations are open, without exception, to the objection that they would administratively be burdensome and cause delays. If an administrator has to delay public sales until he can locate and identify a preferred class and then make them gifts or sales at reduced prices, either in the case of personal property or real property, the program would be enormously slowed down. In addition, all such provisions are open to the objection that they constitute in effect gifts of public funds which, in my opinion, should more properly be retained for the benefit of the taxpayers as a whole.

Senator O'MAHONEY. May I interrupt to ask whether by that you mean to indicate a disapproval of the suggestion that veterans should be given the preference in buying lands suitable for family-size farms, or small homes for business purposes?

Mr. CLAYTON. I am not sure, Senator O'Mahoney, but I do not believe that is quite the provision in the bill.

Senator O'MAHONEY. No; that is not in the bill.

Mr. CLAYTON. I certainly would not object. If I had two buyers, for example, one a veteran and one not a veteran, and the price is the same, I would certainly give the veteran the preference.

Senator MURRAY. Would you want that privilege yourself? Would you want it fixed so you could act without being interfered with by these provisions which encumber the bill and delay you in its administration?

Mr. CLAYTON. Senator Murray, it is not a question of interference, I do not think, I think it is a question of the smooth administration of the program and of being able to dispose of this property as expeditiously as possible, and to the best advantage of the economy of the country as a whole.

Senator MURRAY. Do you think expedition is the main consideration here? Don't you think the protection of our country from a further expansion of monopoly and concentration of industry in this country is a very important consideration, and that time should be consumed, if necessary, in bringing about an equitable distribution of the surplus goods rather than to speed it up by selling it quickly to the Anaconda Copper Co., or some of the big concerns, that take the big thing off their hands in one lump?

Mr. CLAYTON. Senator Murray, there are so many important considerations that should be weighed in this program, and in fixing the policies and in administering them and in selling the property, that it is a little difficult to say what comes first and what comes second and what comes last. But I will say this to you, that my philosophy of it is that the country's interest in getting its money out of this property is certainly secondary to its interest in the development of a sound domestic economy, in promoting reconversion and reemployment in civilian production, and in avoiding a disruption of the regular channels of trade. That is my philosophy of it.

Senator MURRAY. I agree with that fully, but in carrying out that philosophy it seems to me you have got to give special consideration to small concerns and to veterans, and to small farmers who want to participate in the purchasing of this surplus material that is going to be distributed throughout the country, and that the idea of speed and idea of preventing you from being delayed in the matter is not of any importance, it seems to me.

Mr. CLAYTON. Senator Murray, we give every consideration in our regulations to small business, to veterans, to small farmers, individual farmers. The regulations that have been drawn up regulating the sale of things like trucks, for example, motorcycles, nuts, bolts, things of that kind, have all been drawn to provide that a very small unit may be sold. A man can buy one truck, if he wants to. To that extent every effort has been made to safeguard the interest of the small man. I agree fully on that. What I disagree with is statutory provisions which are mandatory with reference to preferences, and things of that kind.

I think, Mr. Chairman, I can illustrate my point better by turning to one of the provisions of the bill as drawn, and that is section 19, headed "Agricultural Lands." I would like to read it and comment on it as we go through it, if you do not mind.

SECTION 19 (a). In the case of any land acquired by any department or agency of the Government after January 1, 1939, and prior to the termination of the

present war, for any purpose related to the national defense or the prosecution of the war, when declared surplus pursuant to this act and when determined by the Administrator to be agricultural land, the person from whom such land was acquired by such department or agency, or, in the event of his death, his heirs, shall be given notice that the land is to be sold by the United States and shall be entitled to purchase such land at private sale any time during the period of 90 days following such notice: *Provided,* That such period shall be extended in any case when it appears that such an extension is necessary or appropriate to facilitate the sale of any land under this section.

I am in accord with the principles of that provision. I do not say that the language is all that it should be, but the objective of it I am in accord with. It would be extremely difficult administratively, but I think it is patterned on justice, and I am in accord with it.

(b) In the event that land employed in farming operations when acquired by the Government is determined by the Administrator no longer to be agricultural land, the Administrator may offer to the former owner of such land and his heirs similar agricultural land in the same area, if such land is available.

I have no objection to that. I think that is all right.

Senator JOHNSON. May I ask one question there, Mr. Clayton? Where is he going to get this land to exchange? Does that presume he is going to go out and buy land?

Mr. CLAYTON. No, Mr. Senator. This refers only to surplus land.

Senator JOHNSON. If he has some other land adjacent, he may sell that even though the man did not own that particular land?

Mr. CLAYTON. Yes, provided he had sold the land which, at the time he sold it, was agricultural land, but because of changes that had been made in it by the agency of the Government that used it it was no longer agricultural land. That is the provision, as I understand it.

(c) Where a tenant of the former owner of agricultural land who was a tenant at the time of the acquisition of such land by the United States signifies his intention of purchasing such land within a period of 90 days following notice of sale, and the former owner of his heirs are unavailable or decline to exercise the privilege the Administrator may allow the tenant to purchase the land at private sale. If the tenant is unable to purchase the land that he was operating at the time of acquisition by the Government, and similar agricultural land in the same area is available after former owners have exercised their privileges, the Administrator may allow the tenant to purchase such land.

I think, gentlemen, that is an unwise provision. I think it extends the privilege of reacquisition of the land a little too far down the line and it would be very difficult to administer. However, it is not highly important.

(d) The Administrator shall fix the price to be paid for such land in the case of any such sale pursuant to this section in accordance with an amount equal to the price paid for it at the time of its acquisition by the department or agency by which it was acquired, increased or decreased, as the case may be, by an amount equal to any increase or decrease in the market value of such land by reason of any improvements or changes made thereon, or by reason of the use thereof, during the time it was owned by the United States, or a price equal to the market price at the time of sale of such surplus land, whichever price is the lower. The determination of price by the Administrator shall be final and conclusive and he shall fix other terms and conditions as he deems to be reasonable.

I think that section is all right.

(e) The Administrator shall determine the method of giving notice and may prescribe notice by publication for such period and in such manner as he deems appropriate or by other means, and may by regulation prescribe methods for the identification of the person entitled to exercise the privilege conferred by this section.

That is all right.

(f) Nothing in this section shall be construed to nullify any existing option determined to be valid pursuant to section 16 of this Act.

Senator MURRAY. Mr. Clayton, before you leave section 19, I will ask you if your committee has disapproved of any of the provisions contained in section 19 (a)?

Mr. CLAYTON. Yes: they did.

Senator MURRAY. But you acknowledge now, that you had no objection to any of these provisions?

Mr. CLAYTON. That is right, sir.

Senator MURRAY. So you overruled your committee?

Mr. CLAYTON. That is my view, that the principle of giving the former owner an opportunity to reacquire the land at the price at which he sold it in accordance with the statute here drawn is all right.

Senator MURRAY. But your committee did not think that was right?

Mr. CLAYTON. That is correct.

Senator O'MAHONEY. The committee rejected all of Section 19?

Mr. CLAYTON. This language, Senator O'Mahoney, was not before the committee, the principle was only before them, the principle of their giving former owners the opportunity to reacquire lands.

Senator O'MAHONEY. Did they object to that principle?

Mr. CLAYTON. Yes; they did; on administrative grounds, by advice of the different agencies of the Government which had had a good deal of experience in acquiring land, and on the ground that to administer it would be so difficult that it should not be adopted, and on the further ground if it were adopted in respect of real property that there might be people who had sold property of different kinds to the Government, or people whose property had been condemned by the Government and which property was still in existence, and they would also ask for that right.

Senator O'MAHONEY. I take it the objection of the committee was that administratively it would be difficult to set up the type of administrative controls and action as to facilitate the granting of these various preferences that are outlined. The committee was motivated by the desire to dispose of the property quickly and at good price, if possible, is that right?

Mr. CLAYTON. To get full value out of it; yes, sir.

That was one of the reasons that the committee rejected the principle involved. They felt a preference should not be given, that we owed it to the taxpayer that the property that the Government had should be disposed of to the best advantage.

Senator O'MAHONEY. If the Congress should decide that the social objectives should be served by distribution of land ownership and would require following out these various preferences, don't you think it might be a good plan to turn over the task of administering the sale and disposition of the land to an agency like the Land Department, which has had experience over 150 years in distributing land to the people, and thus relieve you of all the administrative difficulties?

Mr. CLAYTON. May I come to that a little later, please, sir?

Senator CHANDLER. May I ask him a question there, Mr. Chairman?

The CHAIRMAN. Senator Chandler.

Senator CHANDLER. Mr. Clayton, I was impressed with your statement of your belief that we ought to have prompt disposal. Senator Murray has preempted a part of the question I wanted to ask, saying

we are confronted with two things. I admit there are obvious objections from the standpoint of administering the law, but I do not think it is nearly so important that we do it promptly or that the Government to get its money promptly as it is important to take steps to get this property not in the hands of speculators or a monopoly, but that we get it into the hands of the people. In almost every case, as I recall it, we provided that the Government shall take any property for war purposes, with the proviso that within a reasonable time after the war or the emergency the man who owned the property could get it back, if he paid the price, if he paid a reasonable price for it at the time. I think you make a great mistake if you insist on administrative satisfaction or the satisfaction of an administrator at the expense of getting the widest possible distribution of this property in the hands of the people of the United States who need it and may have good use for it, and may not upset the economy of the people.

Mr. CLAYTON. I do not insist on that, Senator Chandler. You must have misunderstood me.

Senator CHANDLER. Did not you use the words "prompt disposal"?

Mr. CLAYTON. I think while the war is on it is extremely important to dispose of as much of this surplus property as we can, because the economy of the country needs the property. There is hardly in the case of any property we have that there is not a good market for it.

Senator CHANDLER. If you dispose of 1,000 trucks to one fellow, he would buy the 1,000 trucks because you find that the disposal of the 1,000 trucks would make it easier for you. On the other hand, you might take a little more time and let 1,000 people buy trucks in widely scattered areas throughout the United States. I think that is more important than that we have a prompt disposal of a block of property to people who want to buy and who have got the money to buy. I want to discourage that.

Mr. CLAYTON. Senator Chandler, you do not want to discourage that any more than I do, and any more than I have.

Senator CHANDLER. The Administrator of this act is going to have trouble; I foresee that; but if in the long run we accomplish, as nearly as we can the purposes that we are all anxious to accomplish, I think that would be better for the whole economy of the country.

Mr. CLAYTON. Our bill accomplishes the thing that you have in mind. We could not sell 1,000 trucks to one buyer. We have to break them down into units which will give the smaller people an opportunity to buy, and that we do.

Senator CHANDLER. I cannot support a bill that would not give a citizen in this country who, in an emergency, had deeded his property for Government purposes, or war purposes, an opportunity to get that property back.

Mr. CLAYTON. At the price at which he sold it?

Senator CHANDLER. Well, whatever was reasonable, taking into account improvements, if you have improvements, I have no objection to that.

Mr. CLAYTON. Our bill provides for that, except as to price preference. An amendment has now been adopted by a committee in the House which considered the bill providing that the opportunity to the original owner to purchase shall be at the price at which he sold to the Government. That is in our bill now. There is no argument about that.

Senator CHANDLER. I might even go so far as to protect the tenants. They have not made strenuous objection, but it had inconvenienced them. It was a condition of war that everybody faced. It is their neighborhood, in many places it is their birthplace, that is where they have lived all their lives, and you have uprooted them. I do not intend to support the facility of an administration that will not give them the fullest opportunity to put those people to the place where they were before the war, if we can do it.

Mr. CLAYTON. I am not supporting or recommending any measures, Senator Chandler, from the point of view of making it easy for the Administrator. I do not know whether I will be the administrator or not, I do not know who will be. I am not talking from the point of view of making his job easy, although goodness knows it is going to be pretty hard. I am talking from the point of view of what is in the best interest of the country in the disposal of this property. I am trying to look at it objectively.

Senator JOHNSON. You mentioned your several bills. Do you mean the Colmer bill pending in the committee?

Mr. CLAYTON. Yes; it is the bill that we recommended to the George committee, with a very few amendments which are not very important. This is the most important one, I think, that I have just referred to, that is correct.

Senator JOHNSON. But "your" bill, that particular bill that the House reported is the bill that you consider acceptable?

Mr. CLAYTON. That is right; yes, sir.

Senator JOHNSON. As brought out of the committee?

Mr. CLAYTON. As brought out of the committee; yes, sir.

Senator AUSTIN. Mr. Chairman, that bill is H. R. 5125, Union Calendar No. 592 in the House.

Mr. CLAYTON. That is correct, yes.

Senator HILL. That is the bill that the House is now considering.

Mr. CLAYTON. Yes, sir. I would just like to finish with this agricultural matter.

Senator CHANDLER. Excuse me.

Mr. CLAYTON. That is all right, sir.

Section 20 (a) Surplus agricultural land not disposed of pursuant to the provisions of section 19 shall be disposed of in accordance with the provisions of this section.

(b) It is the policy of the Government to dispose of surplus agricultural lands in such a way as to promote the productive use of such lands and the welfare of the community in which they are situated, and to prevent the occurrence of inflated or unreasonable land values.

(c) In carrying out this policy, the Administrator, acting in cooperation with the Department of Agriculture, shall dispose of agricultural lands in such a way as to promote family-sized farms and economic farming units. He shall encourage the disposal of such lands to operators with prior farming experience, including both owners and tenants, and, in cooperation with the Veterans' Administration, to veterans qualified to engage in farming operations.

This, gentlemen, is a very important section of this agricultural lands provision.

(d) In order to guard against speculation and inflated land values, the Administrator in fixing the price to be charged for lands sold pursuant to this section may consider the appraised value of the land when it was acquired by the Government, the future earning capacity of the property minus the cost of necessary improvements, and the average of current sales for similar property, and he may limit the total acreage and the number of farms that may be sold to any

one person pursuant to this section. The determination of price by the Administrator shall be final and conclusive and he shall fix other terms and conditions as he deems to be reasonable.

I take it, Mr. Chairman, that the implication in that provision is that the Administrator should sell this land at less than the market value of the land, because the statement is made that "in fixing the price to be charged for lands sold pursuant to this section may consider the appraised value of the land when it was acquired by the Government, the future earning capacity of the property minus the cost of necessary improvements, and the average of current sales for similar property, and he may limit the total acreage," and so on, in the determination of price.

In the discussion of it I have understood, and I think even without the discussion, just reading the language of the provision, that the implication is that a price for the land should be charged at less than the market value, or less than the Administrator could obtain in the market for the land. If that is true, of course it raises the question immediately as to whom would we make this gift of Government property. If the land is worth $200 an acre and the Department of Agriculture says to us "No farmer can make a living out of that land at $200 an acre; it ought to be sold at $150 an acre," but we could get $200 an acre for it, to whom should we sell it for $150 an acre?

Senator MURRAY. Mr. Chairman.

The CHAIRMAN. Senator Murray.

Senator MURRAY. In the interest of settling people on these small family-sized farms would not the Government be justified in carrying out that kind of a policy? Of course the land might be salable to a commercial organization intending to engage in farming, but should it be the policy of the Government to allow that land to fall into the hands of the large corporations that intend to farm it on a commercial basis rather than have it distributed and make homes for a great many small farmers?

Mr. CLAYTON. My answer is "No," and we do not object to a provision which says that the land should be sold in family-sized plots. In fact, that is in our bill.

Senator MURRAY. That is in here?

Mr. CLAYTON. Yes; it is in here, but the implication is here, Senator Murray, that if the Administrator, with the advice of the Secretary of Agriculture, has reason to believe that the market value of the land is greater than its earning power, that the Administrator shall sell it at less than market value, and my question is to whom shall we sell it at less than market value?

Senator MURRAY. I would assume that, considering the tract as a whole, it might be salable at a higher price than it would be salable when cut into smaller tracts.

Mr. CLAYTON. Senator Murray, I should certainly beg to differ with you. I think the implication here is very clear that the land should be sold in family-sized tracts.

Senator CHANDLER. What element do you take into consideration in the smaller property. Would you take the appraisal into account? The value is what it is presently appraised and what its prospects are. You have got two or three classes of people here. You have got the fellow who had it before. You must remember that this is not ordinary property, this is surplus property. This is property taken by

the Government at one time or another for purposes that do not any longer exist and it is declared surplus. Then you have got the former owners, and you have got their heirs; you have got their tenants, and you have got veterans, and I want the veterans who want to to be able to settle down on some surplus farm land. I think that is the finest thing that could happen in this country. If we could get a wider distribution of small farms and help to put people on the land, that is the only salvation for us in the years to come. You have got those classes of people to deal with.

Mr. CLAYTON. Of course, section 20 does not deal with former owners, and we are not discussing former owners.

Senator CHANDLER. This is section 19. This is agricultural land that has not been disposed of to the former owners?

Mr. CLAYTON. To the former owners.

Senator CHANDLER. I understand that.

Mr. CLAYTON. I presume a competent appraiser of land would take into account the earning power of the land, but this says two things, to have it appraised and also to take into account the future earning capacity of the property. If that means anything, it means to me if the Department of Agriculture advises us that the land in the market is overvalued and it cannot support any such value in future earning power, then the question comes up: Should we sell it at less than the market value?

Senator CHANDLER. There is plenty of land like that in the country. That would not be an unreal condition.

Mr. CLAYTON. All right. Then should we sell it at less than the market value?

Senator CHANDLER. I could not say.

Mr. CLAYTON. That is what this implies.

Senator MURRAY. Would not it be advisable, as a Government policy, to prevent inflationary values to develop in these lands? For instance, in some parts of the country a few years ago they sold farm land at $500 and $1,000 an acre. It was absolutely foolish. Could not the Government have a policy to prevent the development of an inflationary movement in the way provided in this bill that undertakes to hold down the prices on the basis of what the land could actually earn?

Mr. CLAYTON. I have some views on that. I would be glad to discuss them with you at some time, but that is not my point. My point now is I am not questioning the wisdom of the idea or principle, what I am saying now is how is the Administrator going to decide to whom he is going to make this present of Government property?

Senator MURRAY. That is the problem that the Administrator always has, for instance, in distributing the small contracts to the manufacturers. You have the same proposition where a dozen persons seek the same contract, and you have the same problem here. It is an administrative problem.

Mr. CLAYTON. You do not have the problem if you sell the property at full value. Here if we sell the property at less than its value we have to decide whether we give that present to A, B, or C. I just represent to you, sir, that it puts any administrator in an impossible position.

Senator CHANDLER. Certainly the Government, Mr. Clayton, ought not to take surplus property and contribute to inflation.

Mr. CLAYTON. I think, Senator Chandler, that the best way the Government, in respect of surplus property disposal, can fight inflation is to get this land on the market as quickly as it can and sell it at the market value, and that will help satisfy the demand. It will assist in arresting a tendency toward inflation in land values.

Senator O'MAHONEY. Mr. Chairman, may I ask Mr. Clayton a question?

The CHAIRMAN. Certainly, Senator.

Senator O'MAHONEY. This section gives the Administrator the authority to fix the price, and you have raised some doubt as to the implications which are raised by the conditions that are implied or that are mentioned. How do you feel that the price should be fixed?

Mr. CLAYTON. In the case of the land that we started to sell in Illinois, we had it appraised by independent, reputable, and competent appraisers. We did that for the purpose, Senator O'Mahoney, of giving the former owners the first opportunity to reacquire the land. That was before any policy of that character was stated in any bill. We had received applications for some 20 tracts on that basis from former owners, although the appraisals in most cases were slightly higher than the price at which they originally sold the land to the Government. The fixing of the value of the land should be done by appraisal on the basis of its present value and not on some idea that somebody might have of the future earning power of the land, because that has to be based on somebody's opinion as to what cotton, corn, and wheat, and other farm products will sell at 5 years from now.

Mr. CLAYTON. I would not say that, because some appraiser might appraise it too high, and with the limitation which I approve of, of selling these lands in family-sized tracts to people who will go on the land and farm it, with that limitation you must recognize you get some diminution in the marketability of the land and value of the land, although I approve that provision.

Senator O'MAHONEY. What discretion would you allow the Administrator in determining the price?

Mr. CLAYTON. I think he ought to have full discretion in selling it, Senator O'Mahoney. I do not think you should tell him he must do it by appraised value, or that he must sell it by auction, sealed bids, or negotiation. I do not think he can do a good job of it unless he can have full discretion to proceed.

Senator O'MAHONEY. So you would provide in the law a requirement, for example, that the sale should be made publicly to the best bidder?

Mr. CLAYTON. I do not think that that would be the best way, Senator O'Mahoney, but I would not seriously object to it. If the Congress feels that they want to have the land advertised and put up at auction, or sealed bids, that is one thing. Then it becomes extremely difficult to carry out the other provisions of the law that you should sell only one tract to one family, and that that family should farm the land, and so on. If you put it at auction or on sealed bids it makes it difficult.

Senator O'MAHONEY. If in your judgment it is a good policy to permit the Administrator to have full discretion over the determination of the price, what possible objection can there be then to direct the Administrator to exercise his discretion in such a manner as to promote the objectives that Congress has in mind, namely, securing the maximum distribution among small owners?

Mr. CLAYTON. There is no objection whatever to that.

Senator O'MAHONEY. Well, I think that is the purpose in the bill.

Mr. CLAYTON. There is no objection whatever, Senator O'Mahoney, to expressions of policy and objectives which are made in such a way as not to tie the Administrator's hands to detailed procedures.

Senator MURRAY. Mr. Chairman.

The CHAIRMAN. Senator Murray.

Senator MURRAY. I would like at this point to read a few sentences from the report of the Department of Agriculture bearing on this point. The Department of Agriculture, in reporting on this matter on August 9, 1944, said:

> This land should be sold on the basis of long-time earning capacity, taking into account the damage to the land, and to the buildings, fences, and other permanent improvements. From a strictly dollars-and-cents standpoint, I do not believe that the Government would gain by selling this land at the inflated values which current market prices reflect. Because of the Government's obligations to veterans to see that they have an opportunity to make a good living, any apparent gain from sale of farm land at high prices would be much more than offset by more costly and perhaps less effective methods of helping war veterans get back on their feet. Further, should the Government, by act and by example, accelerate the vicious land boom now getting under way, the Nation will have that much greater outlay, when it attempts to restore the financial foundations of rural America, as it had to do after the land boom of the last war.

Mr. CLAYTON. As to that, Senator Murray, I would like to repeat I am not discussing the advisability of that policy, I am merely asking, if we must follow a policy of disposing of the land at less than its value, to whom must we dispose of it?

Senator MURRAY. I was going to say the Farm Security Administration has had the same problem before it and has worked at it. Have you consulted with them in regard to the matter?

Mr. CLAYTON. No.

Senator HILL. It seems to me that section was written in line with the historic land policy of our Government. We sought always to encourage and dispose of the lands to the small home owners. Have you got any language that you would like to suggest which would declare such a policy and perhaps not tie whoever might be the surplus property administrator quite as tight as maybe this language does?

Mr. CLAYTON. Senator Hill, I am afraid I have been very inexpert in making my views known, because I tried to make it clear that I am distinctly in favor of that method of disposal.

Senator HILL. I understand that.

Mr. CLAYTON. Disposal in family-sized plots to people who will themselves farm the land and not to people located at a distance who will rent it, and so on, as far as possible, is I think the right policy. But the point I am trying to make is if we are given here a policy which involves our deliberately selling Government property at less than its value I would like to know how we are going to select which citizens are going to be the recipients of that largess. That is my point.

Senator HILL. You being in accord with the idea projected here as to the policy to be pursued, I suggest that you, with your counsel, submit some language such as you would like to have as far as procedure is concerned, or the requirements are concerned.

The CHAIRMAN. Will you be good enough to do that, Mr. Clayton?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. We are very much obliged to you, Mr. Clayton.

Senator JOHNSON. Mr. Chairman, I have got a question that I would like to ask.

The CHAIRMAN. Go right ahead, Senator Johnson.

Senator JOHNSON. Mr. Clayton, you being the Administrator of surplus property at the present time, have you made a survey or do you have a knowledge of the size of this problem in dollars and cents? It has been variously estimated from 50 billion to 105 billion dollars. Do you have any estimate of the numbers of acres that are involved in this so-called agricultural part of the bill? That has been variously estimated to be 15,000,000 acres. Do you have any estimate at all on that?

Mr. CLAYTON. No, sir; I am not in a position to make any such estimates, Senator Johnson, because the property is owned largely by the War and Navy Departments and the Maritime Commission, those three agencies of the Government, and they themselves are unable to make an estimate because they do not know what part of it will be declared as surplus.

Senator JOHNSON. Then it is impossible for this committee, in working out this law, to have any idea whatsoever of the size of surplus property problem measured in dollars and cents?

Mr. CLAYTON. I would not say it is impossible. You might be able to get some fair guess on it from the Army and Navy, but we obviously are not in a position to give it, because the property comes under our jurisdiction only when it is declared surplus. So the measure of volume is to be found in the declarations of surpluses, and that is in the hands of the owning agencies.

Senator O'MAHONEY. Senator Johnson, I have received a letter from General Somervell which gives the estimate on the number of acres of land now held by the Army.

Senator JOHNSON. Does he classify it as agricultural land?

Senator O'MAHONEY. Yes. I will put it in the record this afternoon.

(The letter referred to follows:)

WAR DEPARTMENT,
HEADQUARTERS ARMY SERVICE FORCES,
Washington, D. C., August 3, 1944.

Hon. JOSEPH C. O'MAHONEY,
United States Senate, Washington, D. C.

Reference is made to your request of an estimate of land now being used by the War Department that would be surplused in the post-war period.

The War Department obtained approximately 16,500,000 acres by permit or Executive order from the public domain or governmental agencies. This land will revert to its source when no longer needed for military purposes. We have leased 7,200,000 acres from individuals. These leases will be canceled as rapidly as the military situation will permit and owners will be placed in possession. It should be stated that a small portion of the public domain and leased land has already been released.

A recent survey indicates that approximately 2,750,000 acres of War Department-owned land will be surplused to the post-war military establishment. Based on general information, this land can be classified as follows:

Agriculture	700,000
Grazing	1,100,000
Forest	750,000
Submarginal and miscellaneous	200,000

The question of utilization and declaration as surplus of land not needed is being given serious consideration. Studies along this line are continuing and when more definite information is obtained as to size and deployment we will be in a better position to estimate the amount of surplus Government-owned land.

BREHON SOMERVELL,
Lieutenant General, United States Army,
Commanding.

Senator HILL. There is some information that the committee has received from Mr. Kaplan. He is from the University of Denver.

Senator JOHNSON. One of my personal friends.

Senator HILL. He give a lot of information so far as surplus property is concerned. I think he gives that information on land.

Senator JOHNSON. I have read his estimate. What I want is a comparative estimate from Mr. Clayton, so I can compare it with Mr. Kaplan's estimate.

Mr. CLAYTON. Mr. Chairman, there is one other point I would like to make, if I may.

The CHAIRMAN. Certainly, Mr. Clayton.

Mr. CLAYTON. I listened to Mr. Maury Maverick with a great deal of interest. He is always interesting. I would like to say in the beginning of this bill that the Administrator is asked to select the fewest possible Government agencies as the disposal agencies of this property, with which I fully agree, but later on it is provided that the Smaller War Plants Corporation may purchase and resell this surplus property, which, in effect, makes the Smaller War Plants Corporation a disposal agency in competition with other agencies in the same class of property. I think that would be a mistake and would make it very difficult to dispose of this property to the best advantage.

The CHAIRMAN. Thank you very much.

We will meet again at 2 o'clock, gentlemen.

(Whereupon, at 1:10 p. m. the committee recessed to 2 p. m. of the same day.)

AFTERNOON SESSION

Present: Senators Reynolds (presiding), Johnson of Colorado, Hill, Downey, Chandler, Murray, O'Mahoney, Austin, and Gurney; also Stewart and Taft.

The CHAIRMAN. The meeting will please come to order.

First, there is Father Edward B. Stanford of the American Council on Education. We will be glad to hear anything you wish to say, Father Stanford.

STATEMENT OF FATHER EDWARD B. STANFORD, AMERICAN COUNCIL OF EDUCATION

Father STANFORD. I wish first of all to express my thanks for the privilege of coming before this group on very short notice and I will try to be very brief.

My chief concern is that in the provisions of this bill the higher institutions of learning which are privately supported would be given similar consideration to what is being given to the publicly supported institutions, whether on a donation or a sale basis.

There are three reasons that I might mention for that. First of all, during the period of the war the institutions of higher education that

are privately supported have been rendering identical service to the publicly supported institutions. There has been no distinction of any kind made between them.

Secondly, they have suffered the same difficulties during wartime in trying to replenish their equipment and get supplies that have been suffered by the publicly supported institutions.

And the third reason is that they have suffered possibly more through the diminution of student enrollment. That is, their financial problems may have been a little more serious.

Therefore, in the provisions that are made for the distribution of surplus war materials, whether it is on a donation basis or sale basis, I would like to submit that they be given similar consideration to the publicly supported institutions of higher learning.

I also might say that through the various educational interests, those with whom I have come in contact, which, of course, have been institutions under private support, certainly the majority opinion would seem to favor that this surplus war property should be disposed of through sale rather than through donation.

Now, that is the burden of my testimony.

Senator JOHNSON. Father, how would you describe such institutions as you make reference to? I mean, the language.

Father STANFORD. Well, take, for instance, in one State——

Senator JOHNSON. I mean the language. How would you amend the bill? What would be the language to amend the bill?

Father STANFORD. The language is really in the bill itself.

Senator MURRAY. We have already inserted those amendments in the last edition of this bill. On page 20 you will find at the bottom of subdivision (a), section 11, we use the language:

to other nonprofit educational institutions which have been held exempt from taxation under section 101 (6) of the Internal Revenue Code.

That same language is carried out in other parts of the bill.

We went over it with great care with representatives of the Catholic Welfare Association.

Father STANFORD. I had not seen that before.

Senator MURRAY. That was an early copy. You have to be pretty up to date here.

Father SANFORD. I can see that. Of course, it does make a distinction there.

Senator MURRAY. The Internal Revenue Department has also worked out that problem, and if we didn't put it that way and left it up to the Administrator, he would have a lot of difficulty, and the representatives of the National Catholic Welfare Association recognized this as being the appropriate language to effect the purpose they had in mind.

Father STANFORD. That is right.

Senator MURRAY. And then in the next paragraph, paragraph (b), it refers to hospitals, and it says:

or other similar institutions not operated for profit which have been held exempt from taxation under section 101 (6) of the Internal Revenue Code.

Father STANFORD. And under (c) the same provisions with reference to sale.

Senator MURRAY. That is the bottom of the first paragraph on page 21.

Father STANFORD. I think that is all right.

Senator MURRAY. It runs through the whole bill.

Father STANFORD. That is more up to date than what I was dealing with. I appreciate the fact that these changes were not made until the last minute.

The CHAIRMAN. Any other questions, gentlemen? (No response.)

Thank you very much, Father. We are delighted to have had the opportunity of having you with us.

Now, Dr. Wickey, I believe, is a member of and represents the Association of American Colleges.

Will you come up here, Dr. Wickey?

STATEMENT OF DR. GOULD WICKEY, ASSOCIATION OF AMERICAN COLLEGES

Dr. WICKEY. Mr. Chairman and members of the committee, my name is Gould Wickey, representing officially the Association of American Colleges, with some 600 member colleges, at the direction of Dr. Guy E. Snavely, its executive director, and representing also the National Conference of Church-Related Colleges with 426 member colleges, of which I am the executive secretary.

These colleges and universities have served and are now serving the Nation sacrifically in doing the utmost to win the war as well as the peace. They have assumed heavy responsibilities in training hundreds of military units involving hundreds of thousands of military men and women.

These private, nonprofit, educational institutions are greatly interested in the bill to provide for the proper disposal of surplus war property. Letters have been received from schools in many States, urging that their needs and rights involved in the benefits of the disposal of any surplus war property be given consideration.

We urge:

1. That the surplus war property should be sold at a reasonable price rather than given away no matter who the recipients may be.

2. That private, nonprofit, educational institutions should share equally with the tax-supported educational institutions in the disposal of surplus war property. These private schools, serving the national welfare, have been hampered in obtaining materials and property essential to their great and constructive programs. These colleges and universities will educate hundreds of thousands returned military men and women. These schools have need of such material which is to be disposed through the authority to be granted in S. 2065. For example, just this morning President Charles Anderson, of Coe College, Cedar Rapids, Iowa, was in my office, telling of the some $50,000 worth of property now at his college and owned by the Government, much of which his college needs and can use immediately. The hundreds of colleges who so ably assisted the military forces in being prepared more fully and more rapidly than otherwise would have been possible, as well as other colleges and universities, are in dire need of materials.

Gentlemen, we believe you will dispose of any surplus war property in a democratic manner.

Again this statement is made because of the propaganda which has been sent out that it be given or sold only to State institutions.

If the private colleges and universities are not given unreservedly the right to share in obtaining this surplus property, we shall have a species of nazi-ism wholly un-American and undemocratic.

The CHAIRMAN. We are glad to have had you with us, Doctor.

Are there any questions, gentlemen?

Senator AUSTIN. I wish you would elaborate a little the point you make in your statement regarding sale rather than donation. I notice you said there had been propaganda for donation, and you used that as a reason why you make the claim that you do. Why do you think it should be sold rather than donated to these educational institutions, charitable, religious, and nonprofit?

Dr. WICKEY. The propaganda has been sent out on the basis that it be given only to tax-supported institutions, and if it be given only to tax-supported institutions we believe it would be an undemocratic procedure in the first place.

Secondly, I believe the privately supported institutions would not wish to participate if it were given.

Senator AUSTIN. Why not?

Dr. WICKEY. We do not wish to be under the authority of the State or Federal Government.

Senator AUSTIN. You think it follows that you would come under a certain amount of supervision if you accepted a gift from the Government?

Dr. WICKEY. Not necessarily, but it might be possible. That is, unless we render service in return. During the war, hundreds of our schools have rendered service and they were paid for it. To that we don't object.

Senator AUSTIN. The first objection you named has already been met by these changes.

Dr. WICKEY. We didn't know that until 10:30 this morning. Those changes are very satisfactory.

Senator AUSTIN. With those changes in the bill, there is left, then, only the objection, as I interpret what you say, that there might be incident to the gift some sort of supervision claimed over the expenditure or use of the property.

Dr. WICKEY. That is right.

Senator AUSTIN. That is the only objection you have.

Dr. WICKEY. That is right. We would assume that the property would be used for its intended purposes and used immediately.

Senator AUSTIN. That is all.

The CHAIRMAN. Any other questions? [No response.]

We have with us, I understand, Mr. Russell Smith of the National Farmers Union.

Senator AUSTIN. Before we hear from Mr. Smith, may I put in the record a letter from Robert G. Chapman, chairman, Uuniversity of Vermont and State Agricultural College?

The CHAIRMAN. It may be inserted in the record.

(The letter referred to follows:)

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE,
Burlington, Vt., August 12, 1944.

Senator WARREN R. AUSTIN,
Washington, D. C.

DEAR SENATOR AUSTIN: I am writing with regard to the congressional bills relating to the disposal of war surplus equipment. It is my understanding that there are now three tentative bills for the disposal of surplus war equipment: the George-Murray bill, S. 1730, the Colmer bill, H. R. 5125, and Mr. Clayton's suggestions known as the Clayton bill. It is our understanding that no one of these bills is written in sufficiently explicit terms to assure educational, charitable, and eleemosynary institutions that they will be able to obtain some much needed equipment for nothing from this war surplus.

It is the feeling in educational circles that this legislation should be revised to definitely assure educational institutions, both primary and secondary, that they will be able to obtain for nothing such war surplus equipment as is in good condition and may be advantageously used for laboratory instruction. Your assistance in helping to bring about suitable legislation in this connection will be most earnestly appreciated.

Very truly yours,

ROBERT G. CHAPMAN, *Chairman.*

The CHAIRMAN. I might state that yesterday afternoon Mr. Paul McNutt called me up and stated that he had to leave the city and expected to be back Friday, and in the meantime he was preparing a statement that we could insert in the record in case he didn't get back in time to testify himself. At the proper time I will insert his statement.

STATEMENT OF RUSSELL SMITH, LEGISLATIVE SECRETARY, NATIONAL FARMERS UNION

The CHAIRMAN. Where are your national headquarters, Mr. Smith?

Mr. SMITH. In Denver. I am legislative secretary in the Washington offices.

Before I embark on a formal statement, Mr. Chairman, I would like to say to Senator Johnson that we are directing our remarks throughout to bill S. 2065 as reported from the subcommittee.

Senator JOHNSON. That will bring the subject matter before us and that is the important thing.

Mr. SMITH. That is right.

The National Farmers Union supports S. 2065, the Stewart-Murray-Taft bill, as reported Monday from the subcommittee chaired by Senator Murray. We are glad to be able to compliment the authors of the bill and the members of the subcommittee on the excellent work they have done in seeking to balance the conflicting claims of numerous groups in the consideration of this problem, and to produce from that consideration a measure so eminently in the public interest.

The National Farmers Union believes that this bill is greatly superior to the bill now pending in the House and, indeed, to any other of the numerous surplus-property-disposal bills now pending in both Houses.

We are especially gratified that the Military Affairs Committee has followed the recommendation of President James G. Patton of the Farmers Union, in his testimony of last April 14, that any surplus-disposal legislation omit the requirements for authorized destruction of

Government property contained in earlier bills. Such a defeatist approach to the problem of using the Nation's tremendous productive capacity would, we feel, have contributed greatly to that psychology that is the forerunner of economic depression and disaster. We are glad this committee has dispensed with any such provisions.

In view of our emphatic support of S. 2065, therefore, the amendments that we shall propose to you today may be considered as in the nature of perfecting amendments, and the fact that we offer them should in no way be construed as criticism of the effort that has gone into the drafting of S. 2065.

The first amendment we propose for the consideration of the committee is designed to be inserted on page 2, following line 3. That is substitute draft No. 1.

Senator AUSTIN. What section?

Mr. SMITH. The first section. It would be a new paragraph 4 immediately after the words "free enterprise." This would be a new subsection 4 and is as follows:

(4) To foster and to render more secure family-type farming as the traditional and desirable pattern of American agriculture.

The objective of this amendment is clear. We believe that disposal of the surplus property accumulated during this war offers the Nation a magnificent opportunity to help to reverse the trend toward corporation and poor-farm farming that has cursed American agriculture for the past seven decades. The manner in which war-surplus farm land is sold and the policies for disposition of equipment can have a profound effect for good or for ill.

Senator CHANDLER. May I interrupt there for a moment? Did you hear the discussion between the members of the committee and Mr. Clayton while he was on the stand this morning?

Mr. SMITH. No, sir. But I have talked to some people who did hear it. I will be glad to comment.

Senator CHANDLER. When you get ready.

Mr. SMITH. The next amendments we suggest deal with cooperatives. First, we propose that, immediately following the amendment just described, that is on page 2, and also as a part of the statement of objectives, the following or similar language be inserted:

(5) To strengthen and preserve the existing cooperative organizations, and to encourage the extension of the cooperative movement.

Another amendment designed to strengthen the position of cooperatives should be inserted on page 10, following line 21. That is section 7, testimony dealing with advisory committees. At that point, immediately after subsection (b) we would like a new subsection (c) as follows:

(c) Genuine member-controlled cooperative organizations.

But the principal amendment relating to cooperatives that we propose would appropriately be inserted on page 16, which is section 12. At the end of section 12 we would propose a new section 13. The language that I shall read is the new section 13.

SEC. 13. It shall be the duty of the Administrator, in the carrying out of the direction contained in section 1, paragraph (a) (5) (the injunction to strengthen and promote cooperative organizations) to prescribe such regulations and to establish such administrative machinery as shall be necessary to give to genuine farmer-owned and operated cooperatives preference in the sale or disposition of such surplus materials, equipment, and goods as are suitable for agricultural use. It shall further be the duty of the Administrator to prescribe appropriate regulations to prevent any discrimination against cooperatives in the disposal and distribution and use of any Government property covered by this Act.

You will notice that follows to some extent the language of the present small business legislation.

Ample legislative precedent exists for such action. The Capper-Volstead Act itself singles out farmer cooperatives for preferential treatment, as distinguished from any other kind of businesses. That law has been on the statute books since 1922, and alone would furnish ample precedent. Congress has many times since reaffirmed its intent to promote healthful development of cooperatives, culminating in the Rural Electrification Act of 1936, when Congress decreed that, along with States and other public agencies, "cooperative, nonprofit, or limited dividend associations" should be given preference in the making of rural electrification loans.

Before proceeding to other perfecting amendments we believe the bill should carry, we should like especially at this point to commend the committee for its care in protection of the rights of small business. The National Farmers' Union has noted that nearly all of the bills dealing with surplus-property disposal carry provisions requiring the Attorney General to approve transfers of plants as being in conformity with the antitrust statutes. We concur in the wisdom of such provisions, but we believe they are of doubtful virtue as a protection against monopoly. The antitrust laws have been the law of the land for many years but they have not prevented gigantic concentrations of wealth. They should be supplemented by other legislation. We believe that the committee has gone far in the right direction in its excellent provisions for the protection of small business. If the amendments we have proposed for furthering the interests of cooperatives are also adopted, still another weapon against monopoly will have been forged.

But there are still other ways in which the Nation can foster free enterprise through the restriction of monopolistic control. One of those is through the retention in Government hands, and operation under Government auspices, of a sufficient number of plants to serve as yardstick plants.

Here the experience of the Nation with the Tennessee Valley Authority is instructive. During the current session of Congress various changes in laws were proposed designed to weaken T. V. A. When it heard about them, the Tennessee Valley arose almost to a man. Up and down the length of the seven States of that valley—farmers, chambers of commerce, women's clubs, church groups, and civic organizations united to protest. The proposed changes were defeated. This impressive demonstration of the success of T. V. A. means that it has been a success not with any class or segment of the population, but with all the people in the valley. It means that public activity in its proper field, has stimulated private business activity and that business in the Tennessee Valley knows that fact.

One of the prime functions of T. V. A. has been to serve as a yardstick. It has shown that the yardstick principle is a sound one, properly conceived, and that so conceived and used it can foster competition, minimize monopoly controls, help to broaden markets for busi-

ness, and in general provide a stimulant and bulwark for free enterprise. We believe this principle can be adapted to use in the disposal of war plants, and to that end we urge the committee to include the following amendment on page 20, following line 2, section 14. This amendment would become subsection (b) of section 14 and would read as follows:

> The Administrator shall submit to Congress within 60 days after passage of this act a list of plants proposed for continued operation as "yardsticks" and experimental plants, whether through Government corporations set up for that purpose, through the hiring of managers by the appropriate Government agency concerned with operation of the plant, by contract with private enterprise but subject to conditions prescribed by the Administrator to insure true "yardstick" and experimental operation, or through arrangement with a member-owned and operated cooperative; and shall describe in detail the management operation, the "yardstick" and experimental operations proposed, and the objectives to be achieved. Upon approval by Congress such plants shall continue in operation under such arrangements until the operation is terminated by Congress.

We have included in this proposed amendment the word 'experimental" because we have a special agricultural interest in continued operation of various types of plants which should be operated under peacetime conditions to discover their long-time usefulness as outlets for agricultural commodities and as producers of commodities needed on farms. We call the committee's attention to Secretary of Agriculture Wickard's statement last week to the House Executive Expenditures Committee on this point:

> Wartime food-processing facilities owned or financed by the Government include dried-milk plants, concentrated citrus-juice plants, dehydrated-vegetable plants, and dehydrated-raisin plants. Falling in a related category are the grain-alcohol facilities now operating at several locations as well as hemp-processing plants in the Middle West. Government-financed cold-storage facilities also have been constructed in widely dispersed sections of the country.
>
> Since it is upon the Department of Agriculture that responsibility falls for price support and other farm programs enacted by Congress, none of those plants which might be useful in carrying out those programs should be dismantled or used for new purposes without Agriculture's approval—

and he meant the Department of Agriculture.

> Furthermore, there are certain industrial plants capable of conversion to agricultural uses, the disposition of which should reflect that possibility. For instance, the Department of Agriculture already has recommended that 40 percent of our wartime synthetic nitrogen plant capacity be converted to the production of nitrogen fertilizer.

This type of plant should not be closed down, dismantled, or simply turned over to private industry without safeguards of the public interest. All of them can well be operated, not to compete with private industry, but in order to do experimental jobs that private industry cannot afford to undertake, that are too risky or that do not offer any particular profit incentive but offer the prospect of results vitally important to farmers all over the country.

There is one additional matter relative to plant disposal that should be mentioned. This is the probable need for clarification of the intent of Congress as to military plants and, for that matter, goods. We do not suggest specific language at this point, but simply call to the committee's attention the related problems of the speed of disposition of plants and goods by the military and the question of keeping certain war plants "in grease," so to speak, in anticipation of future needs.

Following the other World War, it will be recalled, some plants and much material were held by the armed services beyond any reasonable length of time. We do not believe that is good practice. On the other hand, we believe that the committee may feel it desirable to add specific instructions to the Administrator to keep certain plants in standby condition, regardless of the immediate need for their products, simply as a matter of national defense.

Finally, with regard to plant disposal, we should like to record our satisfaction with the provision the subcommittee has made for maintaining any plants leased in "substantial operation and production for a period of 2 years next succeeding the effective date of the contract." This kind of legislation will go far toward meeting that goal of full employment which we believe is an imperative post-war ideal.

Senator AUSTIN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Certainly.

Senator AUSTIN. You mean by that statement to keep in production plants that are producing more materials that are not necessary at the present time?

Mr. SMITH. Not in production, Senator. To keep them in readiness to produce if needed.

Senator AUSTIN. But not active production?

Mr. SMITH. But not in active production.

Senator AUSTIN. Then there necessarily follows the question, How will that maintain employment?

Mr. SMITH. It has really nothing to do with the question of unemployment.

Senator MURRAY. That is the policy advocated by the War Department, too, isn't it?

Mr. SMITH. As I understand.

Senator JOHNSON. It seems to me that Senator Austin and Mr. Smith are talking about two separate things. I understood Mr. Smith to say he wanted the plants to continue in operation.

Mr. SMITH. This is a different category of plants.

Senator JOHNSON. But my understanding is that you approved the provision in the Taft bill which provides when a plant is sold or leased that it be continuously operated for 2 years.

Mr. SMITH. Yes, sir.

Senator JOHNSON. And I understood Senator Austin's question was directed to that statement.

Senator AUSTIN. It was. Let me repeat it. The question I have in mind is: Would you continue in production a plant whose product is not needed?

Mr. SMITH. No, sir; we assume that this act gives the Administrator sufficient discretion so he does not have to lease or sign a contract for the continued operation of any plant that is not needed.

Our next suggested amendments relate to sections 10 and 12 of the bill (S. 2065) concerned with the utilization of surplus property by Federal agencies and with dispositions made by owning agencies. Specifically, we propose the following subsections to be included in the bill, beginning after line 17 on page 13. We should like to propose a new subsection (c) in section 10. In fact, we should like to propose a new subsection (d) and subsection (e) as well. They are pretty similar. They deal with different kinds of equipment.

(c) To the fullest extent practicable, the Administrator shall transfer to the Soil Conservation Service of the Department of Agriculture such surplus equipment and materials as he, in consultation with officials of the Soil Conservation Service, shall determine are useful for purposes of soil preservation and improvement, such equipment and materials to be made available to the soil-conservation districts of the several States and to other appropriate State agencies, pursuant to the customary arrangements made between the districts and the Soil Conservation Service.

(d) To the fullest extent practicable, the Administrator shall transfer to the Rural Electrification Administration of the Department of Agriculture such surplus electrical equipment and materials as he, in consultation with officials of the Rural Electrification Administration, shall determine to be appropriate to the extension of lines and services to rural families, such equipment and materials to be made available to existing cooperative associations formed under the Rural Electrification Act and to assist in the establishment of new cooperative associations under the provisions of the Act.

Senator O'MAHONEY. Was it your thought in that connection that the cooperatives should pay for these materials?

Mr. SMITH. Not necessarily, Senator. I think the question of price policy in general ought to govern that. In other words, if the committee adopts the principle of use of surplus equipment of this kind, free, as a public matter, then I think all this should be included.

Senator O'MAHONEY. The R. E. A. cooperatives have been accustomed to pay for their copper wire, I understand.

Mr. SMITH. Yes, sir.

Senator O'MAHONEY. By reason of the war many of them were prevented from obtaining supplies of copper wire that they needed. There is a substantial dammed-up demand now among the rural cooperatives for copper wire. I wonder if it would not be satisfactory to all concerned if instead of being made a gift of this property they be given a preferred right to purchase it. Would that be satisfactory?

Mr. SMITH. I think the matter of price is very important there, Senator. I agree with you, I will say to start, but I think the price should be very low, as low as is consistent at all with the committee's view of good public policy, because for one thing that charge is going back in rate charges to the farmer.

Senator O'MAHONEY. Rural cooperatives have had very great success. I think they have made an outstanding record. Therefore, I don't think that financially they are in need of any gift. They can pay their own way, and I think it would be well merely to get a call on the material.

Mr. SMITH. That is our primary purpose, to give them a call on the material.

The new subsection (e) would read as follows:

(e) To the fullest extent practicable, the Administrator shall transfer to the Farm Security Administration of the Department of Agriculture such agricultural production equipment and materials as he, in consultation with officials of the Farm Security Administration, shall determine to be appropriate for sale, at customary terms and rates of interest charged on similar Farm Security Administration loans, to small facilities cooperatives of the type promoted and established by the Farm Security Administration.

Senator HILL. Let me ask a question there, if I may. It seems that you limit the equipment that goes to the F. S. A. for use by co-ops. Is that right?

Mr. SMITH. I think these are what is technically known as facilities cooperatives, groups of farmers to whom loans have been made for help in buying a tractor, and so forth.

Senator HILL. These are facilities co-ops as distinguished from the other cooperatives?

Mr. SMITH. Yes. This has nothing to do with that. They have had a great deal of success in Alabama with loans for pure-bred sires and that sort of thing.

Senator HILL. That is what I wanted to make clear.

Mr. SMITH. The purpose of these amendments is sufficiently clear from their texts. They follow the precedent set in section 11, where in subsections (a) and (b) provision is made for public use of school and medical equipment and material. Those are far-sighted, statesmanlike provisions. We believe they should be paralleled by similar provisions that will enable the use of surplus property to promote protection of the Nation's soil resources, to extend rural electrification, and to promote the security and extension of family type farming.

With respect to the disposal of nonagricultural equipment and material, we favor a selective policy such as is embodied in the following proposed amendment, suggested for insertion after line 15, page 16, of this draft, which is section 12. This would be a new subsection giving the Administrator general instructions as to the disposal of nonagricultural equipment.

The Administrator shall be charged with the responsibility for the fullest possible use, distribution, and sale of surplus property under this Act, and shall withhold equipment or material from use, distribution, or sale, as a policy, only after full and fair public hearing shall have been held before the appropriate agency advisory committee authorized to be set up under section 7 and only after such agency advisory committee shall have recommended that such equipment or materials be withheld from use, distribution, or sale on the ground that hardship to the affected industry will outweigh the general public good to be derived from release of such equipment or material.

Senator CHANDLER. You don't think it is important, then, that we make speed in the disposal of the surplus materials?

Mr. SMITH. No, sir; I think speed may make a great deal more waste than it usually does.

At the same time I agree with Mr. Maverick's remarks this morning, particularly concerning consumer goods, which he said should be used to raise the standard of living in this country.

The final amendments that the National Farmers Union proposes to be made to the pending bill deal with section 19, the section dealing with agricultural lands. It should be said by way of preliminary, however, that the pending bill is the only surplus disposal bill that makes a genuine attempt to meet the numerous difficulties of defining the rights of former owners of agricultural land for repurchase, or that seeks to insure the handling of the agricultural land disposal program as a purely agricultural matter. The amendments we suggest are, again, by way of being perfecting amendments.

First among these is an amendment suggested to be added to the end of line 16, page 24 of this draft. That is section 19, right at the end of subsection (a). As it stands in this draft, that subsection concludes in this fashion:

That such period shall be extended in any case when it appears that such an extension is necessary or appropriate to facilitate the sale of any land under this section.

We would add a proviso as follows:

And provided, That such former owners or their heirs shall give satisfactory assurances to the Administrator that they intend to occupy and use for agricul-

tural purposes the agricultural land so sold, and that they do not at the time of such sale already own a farm of equal or greater value as compared with the surplus agricultural land they have made application to purchase.

Senator CHANDLER. What would that do to a fellow who has given up a part of his land because of the war emergency and under this bill would have the first right to get it back?

Mr. SMITH. All he would have to do, Senator, would be to show the Administration that he was going to live on that farm and operate it as a farm, and he would also have to show that he had not in the meantime bought another farm and was already operating it.

We had assumed in writing this mendment that the provisions of the bill regarding economic-sized units and the selling of this land as farm units would be followed. In that case the former owner applying for this farm would have to have a farm already as good as the one proposed to be sold to him in order to be disqualified by the Administrator.

We have no love for this language but we hope to be able to keep former owners who have bought farms from buying and reselling at a profit.

Senator HILL. In other words, you can't have them both for homes. If he didn't sell to the Government and the Government wanted it, they could take it.

Suppose they made a fair proposition and he sold and under this bill he is entitled to have it back. If not his heirs, then his tenants.

Suppose, as many have done, he bought a farm because he had to have a place to live. Suppose it goes progressively down the line and some other fellow puts in a claim for it. You have to exhaust those fellows, it seems to me, under this bill before you can count them out.

Mr. SMITH. What we are really driving at is to set up as many people as possible as family farmers. If this won't do it we want to put something else in.

Senator AUSTIN. I assume what you have in mind is that a farmer owner may prefer his former farm to the one he has.

Senator CHANDLER. That is right, and you say that he has to forfeit his right to have this farm back. If the Government says, "We will return your property," he has no choice. I want to put these fellows back in as good shape as we can. They have sacrificed their homes and property. And maybe we can give their tenants a right to have their places again. Many of them have had to go to war plants.

Senator JOHNSON. Mr. Smith, your statement that there are no other bills before Congress dealing comprehensively with the land or agricultural land problems is not quite correct. My bill deals with it—not comprehensively—but it is a stopgap awaiting special legislation which has already been introduced by Senator O'Mahoney, and which when we come down to it and we understand it may be far more satisfactory to all of us than the present provisions of this bill.

I would like to call attention to this situation which seems to me of very great importance. I have been told that the Army is already disposing of agricultural lands as rapidly as they can, around the plants and camps, land that has been found not to be needed.

Furthermore, I am told that another agency of the Government, a subsidiary organization of the R. F. C., is setting up a land-selling organization, very complex and complete in its details, to deal with this subject. The whole matter is taken away from the Administrator set up in this bill, stops the disposition of all such lands, and awaits the action of Congress and contemplates the passage of a bill such as Senator O'Mahoney has in mind.

So there are two ways of dealing with this.

And there is another approach already before Congress in addition to the approach found in bill 2065.

Mr. SMITH. I am glad to learn that, Senator. We have written these as amendments simply as a matter of convenience since the committee was near the end of its work.

Senator JOHNSON. Yes, sir. But I wanted to call your attention to the fact that your statement was not quite correct.

Senator O'MAHONEY. Thank you, Senator Johnson. I am glad not to be overlooked.

Senator JOHNSON. I didn't want to be overlooked with you, Senator.

Mr. SMITH. The next amendment dealing with agricultural land that we suggest for the consideration of the committee is a substitute for subsection (d) of section 19. This is one of the two sections which gives the Administrator instructions as to how he shall arrive at the price of land.

(d) The Administrator shall fix the price to be paid for such land in the case of any such sale pursuant to this section in accordance with the long-time income-producing power of the farm, as estimated by the Department of Agriculture over a period of not less than ten years, if operated with reasonable diligence and efficiency, and taking into consideration the Nation's interest in the healthy maintenance both of the farm family and the soil. The determination of price by the Administrator shall be final and conclusive and he shall fix other terms and conditions as he deems to be reasonable.

That would call for some change in the present subsection (d) of section 20, which also deals with prices of lands. Those two may well be consolidated, in which case the language I am about to read would follow immediately after what I have just read.

Senator O'MAHONEY. Mr. Smith, such as the section as you now suggest and the one now appearing in the bill which you desire to amend, would probably have to be administered in some such fashion as this. The Administrator having taken under consideration the various factors mentioned in the old section will then fix the price. Having fixed it, his next problem is to dispose of it. How is he going to dispose of it among half a dozen others?

Mr. SMITH. Senator, the answer is absurdly simple. We would turn it over to the Farm Security Administration to be handled in connection with its tenant purchase program. There is a section a little further on which we would like to see inserted, to this effect.

Senator O'MAHONEY. Your thought is to have this handled by the Farm Security Administration?

Mr. SMITH. Yes, sir; as another part of its tenant purchase program.

Senator MURRAY. Couldn't it be distributed through the Department of the Interior as suggested by Secretary Ickes this morning, using the Farm Security to work out the plan?

Mr. SMITH. I am very skeptical of that, Senator.

Senator HILL. They are not set up to do the job, are they?

Mr. SMITH. No, sir.

Senator HILL. The Farm Security Administration is doing this job every day and they are set up to do it?

Mr. SMITH. Yes, sir.

Senator HILL. I think the Public Lands Department of the Department of the Interior has done a good job, but they have not been seeking the same end or purpose at all.

Mr. SMITH. That is my view.

Senator MURRAY. In his testimony he made some reference to the fact they would be able to handle problems of this kind in consultation with other agencies.

Mr. SMITH. I heard him say that.

Senator TAFT. I don't quite understand the reason for suggesting this in section 19. I thought the whole idea was that these people should be able to buy it back at the same price they received.

The section you are amending provides the man can buy it back at the same price the Government paid for it or at the market price, whichever is lower. Why substitute this elaborate computation? This whole section deals with people who have had their farms taken away from them by the Government. We are anxious to see they get the farm back at the same price or at the current market price. I can see a reason for this in section 20, but not in 19.

Mr. SMITH. I think you are correct, sir. Perhaps it should be in both places. But we would like it to apply to former owners as well as to new ones.

Senator CHANDLER. I am opposed to taking any property from a person for war purposes unless we provide he can get it back at the price he was paid or at the market value.

Senator AUSTIN. That was in the requisitioning bill.

Senator CHANDLER. There wasn't a single thing we did here that overlooked the fact that the fellow ought to get it back if it was still in existence. I am for that.

Mr. SMITH. Of course, the purpose of all these changes is simply that we think from any long-term standpoint sales made at anywhere near market value are going to be based on an exaggerated idea of the earning power of a farm for agricultural use. We think it is inevitable that people are going to be foreclosed and thrown off the land and, in general, we will repeat the experience of the twenties unless the long-term earning power of the land is the basis of the price.

Senator TAFT. I don't see any reason why we should sell at less than the market price, unless the man had it before and sold it.

Senator HILL. What you are thinking about is to give us as many family type home-owning farmers as possible?

Mr. SMITH. That is correct, and to keep them on it. Section 21 relates to Senator O'Mahoney's question of a while ago. We would like to see it read as follows:

SEC. 21. The administration of the disposal of surplus agricultural land under the policies described in section 19 and 20 of this Act shall be conducted in accordance with the principles of the Bankhead-Jones Act, with such modifications as this Act—

that refers to 2065—that isn't clear—

may make necessary, and the administration of this program shall be vested in the Farm Security Administration of the Department of Agriculture, subject to the general direction of the Administrator and of this Act.

Although it doesn't say so specifically, what we would expect to happen is that the Farm Security Administration would divide this land into economic sized farm units and dispose of it to people interested, on 40-year loans.

Senator HILL. Didn't the War Department and Navy Department largely use the F. S. A. in purchasing this land?

Mr. SMITH. A great deal of it.

Finally, it is our view that an additional section dealing with land disposal is required. We believe it should follow immediately after section 21, be headed "Other lands," and read as follows:

SEC. 22. The Administrator shall determine, on the basis of surveys by the Departments of Agriculture and the Interior, what surplus lands should be classified as submarginal. Such submarginal land shall be transferred to the appropriate agency conecrned primarily with forestry, recreation, grazing or other use for its development in the national interest. The decision of the Administrator as to the predominant suitable use for such land shall be final.

In other words, the agricultural interest in this land is primarily to get it out of production so people won't go back to it if we do have another wave of unemployment.

One of the principal problems of agriculture has been that in periods of depression people went back to the land and added to production and forced prices down, and in general did nobody any good.

There is, in addition, the national interest. Nearly all of it can grow forests or be made into parks.

The intent of this section is simply to direct the Administrator to invest the administration of such land in the agency most appropriate for handling it.

Senator CHANDLER. Mr. Smith, I know you mean to do a good job, but do you know how many people you are going to deprive of the pleasure of hunting and fishing and killing ducks, especially in hard times? You are going to take that pleasure away. I am talking like a country boy.

Mr. SMITH. Maybe they could shoot a few ducks on the cuff anyway. They are not on it now.

Senator CHANDLER. No; but when hard times come they can go back.

Mr. SMITH. We expect Congress to do something about full employment.

Senator TAFT. Free fishing and hunting?

Senator HILL. We do provide a lot in our national parks.

Senator CHANDLER. That is the reason they go back.

Mr. SMITH. Again, these amendments largely speak for themselves. In the disposition of the land owned by the Government, we believe that all of the land suitable to agricultural use should be made an integral part of the tenant purchase program of the Farm Security Administration, sold only in economic units on long-term credit at low rates of interest.

Possession by the Government of several million acres of good farm land affords an opportunity that may not occur again for many years, perhaps generations, to give so easily such a great impetus to the promotion of the family-type farm. We believe that former owners and veterans should be given preference, where they will use the land for family living. We believe that this program should be wholly governmental, handled through Government agents and Government appraisers. Finally, we believe that no farmer should be settled on this land with a debt burden that is bound to become intolerable if the long-time earning power of the land is considered. Farmers settling on these tracts should be required to assume only so much mort-

gage debt as experts find the farm can reasonably expect to pay off on a 40-year loan. Sale price thus would be determined by the capacity of the farm, the ability and experience of the farmer, the Nation's interest in maintenance both of the farmer and his family and of the soil itself, both priceless national assets.

Such a direction can readily be administered by sympathetic administrators.

In conclusion, we again congratulate the members of the subcommittee on the excellent job they have done. We only wish that other aspects of the conversion from war to peace had been as ably and effectively handled. As matters now stand, the only legislation actually in effect is that providing up to $30,000,000,000 in tax refunds for corporations and a contract termination act under which 50 percent of war contracts are to be terminated as soon as the European war ends. The so-called human demobilization bill just passed by the Senate not only accepts the idea of large-scale unemployment but accepts the idea of a limited dole for the unemployed.

In other words, the only incentives that have been provided so far are incentives to unemployment; there are no incentives to full employment.

Senator CHANDLER. We are not going to let you pass that without a challenge. In passing the George bill, it is not all that we hope to do, but it establishes the basis of something we hope to do, and excepts the idea out of which you can pay everybody out of the cupboard which is already bare. Some day you will have to balance the books. You can't continue to live off your deficits. There isn't any government in the history of mankind that has been able to survive deficits year after year.

We had a lot before we started the war and a lot more on account of the war, but that is no reason for contracting billions of dollars of debts on these fellows who are coming home. That will be their debt. They don't want to shoulder more debt than they can pay.

There is no certainty that we are going to have all this unemployment and no showing that we will demobilize. People seem to count on the fact that as soon as the war in Europe is over everybody will be turned out of the Army.

I can't speak for the President, but I am certain he has no idea of doing that, and certainly we have no idea of doing that. Peace isn't going to come right away. It is not going to be sudden. I think you will find that is judging the effects of that bill too quickly.

You know, people are not in debt like they were in 1920. and so forth. Their allowances and allotments have been liberal. The boys have saved a lot of money and their folks have a little money, and there are not so many mortgages on farm land.

Mr. SMITH. That is right.

Senator CHANDLER. I hope it won't be such a disaster as people predict. I don't think we have a great disaster approaching us. Of course, if you arrange for it and give a fellow a premium for not working, you will have a lot of fellows who like to loaf.

If you are going to be paid as much for not working as you are going to be paid for working, a lot of fellows will quit working. Excuse me, but those are my views.

The CHAIRMAN. We are happy to have had the observations from the distinguished Senator.

Senator MURRAY. I think we are working too much on side issues.

Mr. SMITH. We have something a little further on that bears on this thing, Senator Chandler.

The country will not stand for that kind of an outlook for very long. The people know that this country's plant, agricultural and industrial, is capable of producing plenty for every man, woman, and child in the land. The miracle of war production has escaped no one. And these farmers are paying off their debts as a result of it.

Senator CHANDLER. Aren't your farm populations generally better off than they have ever been in the history of the American farmer?

Mr. SMITH. Sure, and they are well aware that the Government's activities is primarily responsible.

The National Farmers Union appeals, therefore, to you members of the Military Affairs Committee, to give immediate consideration to another proposal made by our president, James G. Patton, in his so-called full employment provision.

I will add, that provision was drafted originally as an amendment to the so-called Kilgore-Murray bill. We did that because the Kilgore-Murray bill was up.

This provision is simply a guaranty to business, labor, and agriculture that the annual investment needed to maintain full employment and production will be forthcoming. In other words, Congress would agree upon the amount of such investment needed, and every year would see to it that sufficient funds were made available for expenditure, either through loans to business or through contracts or direct public investment, to maintain the total of all investment at the required figure.

This proposal goes to the heart of the problem. No legislation now before Congress actually seeks to provide jobs or to underwrite full employment. The life-giving property of such an amendment in the preservation of free enterprise should be obvious. If the "boom-and-bust" cycle can once be ended, then private business need have no fears and can plan its expenditures ahead rationally and carefully. With that as the framework, we believe the Nation could go forward into an era of unprecedented prosperity, one that would hold out hope and promise for the whole world.

President Patton's proposal has been sent to each member of the committee. We invite your close attention to it and hope that you will hold public hearings on it at an early date.

The CHAIRMAN. Thank you very much, Mr. Smith. Are there any questions, gentlemen?

Senator JOHNSON. I have a question, Mr. Chairman.

Mr. Smith, the American Federation of Labor, the C. I. O., the representatives of the Railway Brotherhoods, the National Association of Manufacturers and the United States Chamber of Commerce in very recent days have all recommended that instead of having an administrator of surplus property, that a policy board be set up to administer surplus property, and that it have representation from labor, agriculture, industry, and the consumer groups. I might add that one other group had endorsed it, the cooperatives, which are represented by John Corson.

Now, this bill that we have before us does not have that approach. It has an administrator, a surplus property advisory council set-up,

the members of which are appointed by the administrator, and he is asked to consult with them. But under the approach that I have in my bill, the board appoints the administrator and they determine all of the policies, and I am just wondering whether that matter has been carefully considered by you and by the Farmers Union, or if it is something that you have not fully considered.

Mr. SMITH. In the first place, Senator, it seems to me that all those organizations could not have been talking about the same kind of a board.

Senator JOHNSON. Not the same kind of a board, but a policy board.

Mr. SMITH. Speaking for myself, because the National Farmers Union as a unit has never considered this particular problem, we think there should be an administrator. The proper function of such a board as you have provided for in your bill is either judicial, semijudicial, or policy making. I think your board is a policy-making board.

Senator JOHNSON. That is right.

Mr. SMITH. We did support very heartily the provision for such a board in the Kilgore-Murray bill. We think that well might be set up in this matter.

Senator JOHNSON. One other thing is an amendment which was handed to me this morning by Senator Bankhead to bring before this committee, and since it deals with agriculture, I would like to have your opinion. I regret I don't have printed copies. Here is a copy [document handed to Mr. Smith]. It reads:

Insert a new section as follows:

Notwithstanding any other provision of this Act or of any other Act or of any Executive Order, the War Food Administrator shall be solely responsible for the formulation of policies and the carrying out of programs with respect to the disposal of surplus agricultural commodities and surplus commodities processed or manufactured in whole or substantial part therefrom. The War Food Administrator, subject to the provisions of existing law, shall formulate workable plans for the disposition of surplus agricultural commodities and surplus commodities processed or manufactured in whole or substantial part therefrom, in such a manner as to prevent these excess supplies from being dumped on the market in a disorderly manner and disrupting the market prices for agricultural commodities and commodities processed or manufactured in whole or substantial part therefrom. No department or agency of the Federal Government shall sell or otherwise dispose of excess supplies of any agricultural commodities or any commodities processed or manufactured in whole or substantial part from any agricultural commodity, without the approval in writing of the War Food Administrator. The War Food Administrator shall be consulted in the formulation of policies with respect to the disposal of surplus war supplies to the end that farmers and farmers' cooperative associations may have equal opportunity with others to purchase these materials and equipment. Farmers and farmers' cooperative associations shall be given priority in the purchase of machinery, materials, and trucks suitable for farm use.

That is the end of the proposed amendment, which, as I say, was handed me by Senator Bankhead, and I was asked to present it to the committee, and since you are an expert and represent a very large and influential farm organization, I thought it would be an opportune time to get your horseback opinion of it.

I know it is not fair to you as a witness to submit an amendment like this and ask you to give your opinion, but this committee would appreciate whatever statement you wish to make.

Mr. SMITH. I say that in general we support very heartily the amendment. There are two or three questions I would like to raise about it.

It seems to me the cooperative preferences might fit better in some other section than as a part of the disposal of surplus agricultural stocks, but we certainly are in favor of them, as I said in my statement.

There are two other questions that might be raised about it. One is that I rather think there should be some provision for the use of such supplies in whatever international agency is set up to deal with this problem at the international level. That is, the War Food Administrator should not be given the power to interfere with arrangements by the State Department exclusively.

Senator JOHNSON. Your reaction to it occurred to me also as I read the bill over, and it seemed to me that probably the proposed amendment meant to deal only with domestic supplies of surplus agricultural products.

Mr. SMITH. In that case that would be very satisfactory to us.

Senator AUSTIN. How does that differ from the War Food Administrator's powers being exercised now?

Mr. SMITH. If there are any surplus food supplies under the control of W. F. A., on the passage of this bill, they will pass to the Administrator.

Senator AUSTIN. At the present time, under the control of the War Food Administrator, we are having surpluses that have deteriorated.

Senator JOHNSON. Eggs, for instance.

Senator AUSTIN. Yes. We have carload after carload of rotten eggs. They cause trouble wherever they go. They have caused trouble in Vermont.

Senator JOHNSON. Don't they know up there that there is an election coming up and that such eggs are good campaign material?

Senator AUSTIN. That is an illustration of what might happen when you attempt to vest in an Administrator control of food. I don't know that I have any just ground for charging that the Administrator is to blame for the surplus of eggs. But it is a fact that we have a tremendous surplus of bad eggs at the present time.

Senator CHANDLER. Have you discovered any good use to put them to?

Mr. SMITH. Fertilizer. That is what they are used for.

What Senator Austin said is a very valid statement, and it bears to some extent on the third point I was going to make on the amendment. That is, I am a little doubtful about ringing in the processed manufactured agricultural commodities. I am a little bit afraid of the resentment against farmers that might be encountered if the War Food Administrator had power to withhold commodities already processed. I would be afraid to saddle that job on him exclusively. He should have a voice in it.

Senator TAFT. In this amendment it really gives the War Food Administrator half of all surplus because it includes clothes and every product of cotton and wool, every single thing except metals.

The CHAIRMAN. Are there any questions, gentlemen?

Senator Stewart?

Senator STEWART. No, sir.

The CHAIRMAN. Senator Downey?

Senator DOWNEY. No, sir.

The CHAIRMAN. Senator Taft?
Senator TAFT. No, sir.
The CHAIRMAN. Senator Murray?
Senator MURRAY. No, sir.
The CHAIRMAN. Senator Chandler?
Senator CHANDLER. No, sir.
The CHAIRMAN. Senator Hill?
Senator HILL. No, sir.
The CHAIRMAN. Senator Johnson?
Senator JOHNSON. No, sir.

The CHAIRMAN. Thank you very much, Mr. Smith. We are glad to have had you with us.

Are there any other witnesses who wish to be heard? [No response.]

I wish to insert in the record a statement entitled "Economic Problems in the Disposal of Surplus War Property" and suggested changes, to be incorporated in S. 2065, prepared by Col. Lewis Sanders.

(The statement and suggested changes are as follows:)

ECONOMIC PROBLEMS IN THE DISPOSAL OF SURPLUS WAR PROPERTY

The United States Government, in the disposal of surplus war property, is faced with the same basic economic problems which are regularly handled successfully by industry; but with one significant difference which must be controlling in the establishment of many of the policies if a successful result is to be obtained.

Trade and industry must every year dispose of surplus consumer goods and durable goods and arrange for the absorption of second-hand equipment without having these items disrupt normal markets.

With the exception of agriculture, all surplus goods in commercial markets represent only a fraction of the annual established consumer demand. Agriculture, because of the vagaries of the weather and the fact that the producers comprise 6,000,000 independent entrepreneurs who do not gear their production to estimates of markets, frequently produces a surplus so unwieldly as to break the market.

Second-hand equipment also bears a definite and controllable relation to new goods since it is a byproduct of the sale of new machines.

Surplus war property has no such relation to the size of consumer markets since it is produced solely in relation to war needs and in many items the surplus may equal the total of several years of consumer demand. Because of this factor provision should be made in the powers conferred upon the Administrator and the directives given him in legislation so that he may hold the flow of war property into the market within controllable bounds so that normal markets will not be disorganized. His powers should also be sufficiently broad so that he may apply the proven sound principles developed by business for the marketing of surplus and of used equipment.

Commercial surplus goods, mostly consumer, arise mainly from changes in styles and models and new developments by competitors which make it impossible to carry most goods over to the next season. Competition forces merchants to carry an overstock so as to avoid making dissatisfied customers as would result if they found only broken stocks before the close of the season. For the same reasons old models cannot be completely sold out before the new are introduced. Trade handles this situation by various types of clearance sales which are carefully integrated with the sale of new goods coming on the market. Generally this is done by the distributor himself and cut prices are used to attract customers who may also buy substantial quantities of new goods. Frequently quantities which one customer is allowed to buy are limited so as to spread the drawing power over a greater number of customers.

Clearance sales frequently are so efficient in moving goods that a merchant will bring in other merchandise from outside; certain types of goods, generally below standard quality, are also manufactured especially for clearance sales.

At one time the average manufacturer regarded used machinery as wholely detrimental to his business and did everything in his power to discourage its use. Industry has learned better and most large manufacturers handle and push the use of used equipment of their own make. They see that it is in good usable condition so that its performance will not injure the reputation of their product.

The very existence of the motor car industry is dependent upon a good market for used cars. Only a small percentage of present purchasers of new cars could continue to acquire new cars as frequently as they do if they did not have a good trade-in price for their used car. The motor car dealer would fail if he could not move his used cars. Consequently all motor car manufacturers go to great lengths in establishing good markets for their second hand vehicles and the customer can buy anything from a reconditioned car with almost a new car guarantee to a mechanics job that can be made to operate only through repairs made by the purchaser with parts bought from the automobile wreckers. Only one class of used vehicle is a detriment to the volume of new car business and that is the worn out car kept operating when its condition makes it a menace both to its driver and all others on the road.

A large part of present new car buyers started with the purchase of a used car. Many a small operator started with a second hand truck or taxicab and worked up to the owner operator of a small fleet of two to six taxis or trucks.

To fully carry out the intent of the Congress the Administrator should have, under such restrictions as the Congress deems essential, power to make discriminatory sales to small users and people of limited capital. These preferences should include holding a reserve of suitable items to give the small man time to make his plans, long term credits and possibly a preferential discount. This is not a suggestion for an economically unsound subsidy to the poor and inefficient but is a suggestion looking to the building up of as many independent entrepreneurs as possible who will, in the course of a few years, develop into purchasers of new equipment.

The large trader or manufacturer has a tremendous initial advantage over the small operator in the purchase of war surplus matériel. He has large staffs to make advance studies and can have his plans worked out so that he knows in advance of matériel being declared surplus exactly what he wants. He has the resources to make his ideas effective and he generally has multiple uses for anything he buys so that he is not staking everything on one item or plan. The small man has none of these advantages, he has been at a constant disadvantage in operating during the war but his tax liabilities are just as great proportionately as the large concerns. Preferences that place him on a basis of equality with the large operator in the acquirement of surplus war property are mere equity.

The Administrator should be empowered to guard against speculation by refusing to make sales to concerns or people who seek to make a business out of trading in war surplus matériel. Such concerns constitute both unfair competition to established concerns and those seeking to set up a new permanent business; they also introduce a highly speculative element since they have no stake in the future and no settled policy since they are solely opportunist speculators.

SUGGESTED CHANGES IN S. 2065

SUBSTITUTE DRAFT NO. 1, DATED AUG. 15, 1944

Section 1: None.
Section 2 (b): Add Federal Trade Commission.
Section 2 (d), page 5, line 10: Change "may" to "shall".
Section 3 (c), page 5, line 24: Between the words "To" and "assign" insert "the greatest extent practicable". Line 25: Strike out "practicable". After paragraph (g) insert: "paragraph (h) being section 21 of S. 2045."
Section 4 (d), page 8, line 20: Strike out "may" and substitute "shall, to the greatest extent practicable", strike out "any" and line 21 change "agency" to "agencies".
Section 5: None.
Section 6 (a): Substitute the "Joint Committee" of House and Senate provided in the reconversion bill.
Section 6 (b): Coordinate with submission of reports in Reconversion Act.
Section 7: None.
Section 8 (a): None.
Section 8 (b), page 11, line 22: Change "period" to a "semicolon" and add "The

War and Navy Departments and the Maritime Commission are exempted from this requirement until six months after the termination of hostilities."

Section 9: None.

Section 10: None.

Section 11: None.

Section 12 (a), page 15, lines 16 and 17, Strike out "for the purpose of war production,"

Section 13 (a): Add—

"(4) Place items with established distributing agencies on consignment for sale where, in his judgment, this will facilitate the purposes of this section.

"(5) He may set resale prices for items placed on a consignment basis and he may make resale price a condition of purchase where he deems it will better effectuate the purpose of this Act."

Section 13 (g): "The Administrator shall have the right to refuse to sell surplus property to purchasers who are making or intending to make the handling of Government surplus property a major feature of their business. He may accept the opinion of the Federal Trade Commission as conclusive as to whether a particular purchase would be used in unfair competition with normal business concerns, either established or being established."

S. 2045, section 11 (h): "Whenever the Administrator deems it necessary to better effectuate the purposes of this Act, he may withhold from sale or lease in any calendar year not to exceed 50 per centum of the nonperishable surplus goods or property available in that year."

Section 11 (i): "The Administrator is authorized to reprocess matériel for sale when by so doing he can better effectuate the purposes of this Act: *Provided*, That the estimated net return, to the United States Government, on the reprocessed items exceeds the prospective return on them, as is by at least 20 per centum, all such reprocessing shall be done under contract by private concerns."

Section 14: Add—

(d): Insert section 13 (a) of S. 2045.
(e): Insert section 14 of S. 2045.
(f): Insert section 15 of S. 2045.

Section 15: None.
Section 16: None.
Section 17: None.
Section 18: None.
Section 19: None.
Section 20: None.
Section 21: None.
Section 22: None.
Section 23: None.
Section 24: None.
Section 25: None.
Section 26: None.
Section 27: None.
Section 28: None.
Section 29: None.
Section 30: None.
Section 31: None.
Section 32: None.

The CHAIRMAN. The committee will now go into executive session.

(Whereupon, at 3:20 p. m., the committee went into executive session.)

MOBILIZATION AND DEMOBILIZATION PROBLEMS

THURSDAY, AUGUST 17, 1944

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The committee met, pursuant to adjournment, at 10:30 a. m., in the committee room of the Committee on Military Affairs, United States Capitol, Senator Robert R. Reynolds (chairman) presiding.

Present: Senator Reynolds (chairman), Thomas of Utah, Johnson of Colorado, Hill, Downey, Chandler, Truman, Murray, O'Mahoney, Austin, and Revercomb.

The CHAIRMAN. The committee will please come to order. We have a quorum present.

I want to ask permission of the committee to place in the record at this point some observations made by Mr. Floyd Crouse, a mining expert and attorney of Sparta, Allegheny County, N. C., in which he has something to say in regard to paragraph 17, relating to stock-piling of minerals and metals.

Instead of taking the time to read this, I am going to hand it to the official reporter and ask her to insert it in the record.

(The statement of Mr. Floyd Crouse, referred to, follows:)

STOCK-PILING OF STRATEGIC MINERALS AND METALS

Section 17 of this bill provides that all Government-owned accumulations of strategic minerals and metals shall be transferred, when no longer needed by the owning agencies, to the account of the Treasury Procurement Division to be held as a permanent reserve for the exclusive use of the Army and the Navy for the national defense in the present war or a future war emergency.

The "strategic minerals and metals" are those determined upon by the Army and Navy Munitions Board as essential to national defense and for which stock piles should be kept on hand so that in the event of a future war, they will be immediately available for the production of needed war equipment. Experience both in this war and in World War I demonstrated the wisdom of such a policy, and with the increasing scale of modern warfare and the suddenness of enemy attack, it becomes absolutely essential that the Nation be thus provided with adequate stores of these vital minerals and metals. Some of them are normally produced in substantial quantities in this country, others in minor quantities; but for all of them the sudden surge of wartime demand requires immensely greater quantities than would be available from current supplies.

The quantities of many of these strategic minerals and metals—such as manganese, copper, zinc, lead, tungsten, tin, nickel, mica, and many others—which our Government will own at the conclusion of this war, will undoubtedly be very large. If liquidated, they would cause paralysis to the mining communities, with prolonged shut-downs, caving and flooding of mines—involving permanent loss of valuable ore reserves—and a protracted period of unemployment and disorganization. The small-mine operators would be especially hard hit, and producers of manganese, copper, zinc, tungsten, mica, etc., in North Carolina would feel the full devastating effect.

The major consideration, however, is the future safety and security of our country. These stocks of minerals and metals are invaluable; and if not now retained against a future need, it might be impossible when the emergency arises to replace them at any price in time to permit the Nation to defend itself against aggression. These stocks are already Government property, and placing them in a permanent stock pile involves no additional cost except the relatively minor expense of converting them in certain instances into the most suitable forms and providing for their storage.

Section 17 accomplishes this result for all forms of strategic minerals and metals, including ores, concentrates, alloys, scrap, and those fabricated forms which the Army and the Navy determine are suitable for future use. All of these accumulated stocks should be impounded as insurance for our future security.

In making such provision it is highly important that no executive department of the Government be given discretionary authority to dispose of any of the stock pile materials. They should be preserved inviolate against a future war emergency, declared by or pursuant to an act of Congress itself, as contemplated by section 17 of the bill.

Senator DOWNEY. Mr. Chairman, I have something I would like to place in the record, which I am doing at the request of Mr. Fleming, the Chairman of the Civil Service Commission.

I think Mr. Fleming does raise an interesting point that the committee should consider. Apparently the George bill that we passed and likewise this pending proposal go a considerable way to waive the Civil Service requirements in the selection of the officials to administer the two laws.

Senator JOHNSON. My proposal follows the recommendation of the Civil Service Commission.

Senator AUSTIN. Mr. Chairman, I should say that I have looked that up and I would like to have some help on this point because I interpret S. 2065 to cover the usual, and no more than the usual, exemptions. I will read, and this is on page 5 of the double print, at the bottom, section 2, subparagraph (d):

The Administrator, within the limits of funds which may be made available, may employ and fix the compensation of such officers and employees in accordance with the provisions of the Civil Service laws, rules, and regulations, and the Classification Act of 1923 and make such expenditures for supplies, facilities and services as may be necessary to carry out the provisions of this Act.

Now, that would cover everything you now have under the law.

Now we come to the exception and the chairman of the Committee on Civil Service, Senator Downey, ought to be able to answer this. The question is whether what follows is out of order.

Without regard to the provisions of the civil service laws and the Classification Act of 1923, he may appoint a deputy administrator, and employ certified public accountants, qualified cost accountants, engineers, appraisers, and other experts in the discharge of the duties imposed upon him and in furtherance of the objectives and policies of this Act.

The Administrator may, where practicable, perform the duties imposed upon him through the personnel and facilities or other Federal agencies.

Now, the question is, Senator Downey, has that extended the customary exemptions?

Senator DOWNEY. Yes; entirely so, I might say to the Senator. If we would put this bill in line with all the existing war agency acts, the exceptions would read as follows:

Without regard to the provisions of the civil service laws and the Classification Act of 1923, he may appoint a deputy administrator.

That is the way they have all ended.

In other words, up to the present in providing for civil-service requirements under the War Agencies Act, we have required our certified public accountants, qualified cost accountants, engineers, appraisers, and so on, other experts, to conform to the requirements of civil service.

Senator AUSTIN. If that is so, I am in favor of your suggestion. I had an idea this was the customary exemptions.

Senator DOWNEY. I have a statement here from Mr. Flemming. If the committee wants it read, it covers the question.

The CHAIRMAN. What is the pleasure of the committee?

Senator AUSTIN. I do not think we need to take the time of the committee to have it read.

The CHAIRMAN. Suppose you put it in the record.

Senator DOWNEY. Very well.

The CHAIRMAN. It will be placed in the record.

(The statement of Mr. Arthur S. Flemming, Commissioner, Civil Service Commission, follows:)

CIVIL-SERVICE PROVISIONS IN S. 2065 (SUBSTITUTE DRAFT NO. 1)

In S. 2065 (substitute draft No. 1), page 5, beginning on line 3 and extending to line 9, there appears the following language:

"Without regard to the provisions of the civil-service laws and the Classification Act of 1923, he may appoint a Deputy Administrator, and employ certified public accountants, qualified cost accountants, engineers, appraisers, and other experts in the discharge of the duties imposed upon him and in furtherance of the objectives and policies of this Act."

This language should be amended by striking out everything after the words "Deputy Administrator" for the following reasons:

1. The language as now incorporated in the bill has the effect of weakening, to a very considerable degree, the language beginning on page 4, line 22, and running to page 5, line 3, which specifies that personnel is to be appointed and their salaries fixed in accordance with the provisions of the civil-service laws and the Classification Act of 1923. All kinds of appointments can be made under the designation of "experts." This provision could be interpreted in such a manner that the only types of positions left under civil service would be clerical in nature.

2. If such language is approved by the Congress, it means that the Congress is taking a stand directly counter to that which it took in passing the Ramspeck Act providing for the extension of the merit system.

No similar action has been taken by the Congress throughout the period of the war. There is no basic exemption from civil service in any of the bills relating to war agencies.

Certainly, if there has been no sound basis for providing for such exemptions during the war period, such a basis does not exist when it comes to the establishment of agencies charged with the responsibility of dealing with post-war problems.

3. In exempting these positions from the Classification Act of 1923, the Congress would be contributing to the very situation which it has from time to time criticized, namely, the fixing of salaries for particular positions without regard to the salaries paid for similar positions in other agencies.

4. The most serious effect of language of this kind is to virtually nullify the action taken by the Congress in passing the Veterans' Preference Act of 1944.

It is a well-known fact that preference for veterans is virtually meaningless except where the positions are under the civil-service system, and where the Civil Service Commission is charged with the responsibility of enforcing the policy established by Congress.

In a statement appearing on page 184 of the printed hearings before the Committee on Expenditures in the Executive Departments of the House of Representatives in connection with H. R. 5125 (a bill to provide for the disposal of surplus Government property and plants), an official representative of the American Legion urges that all of these positions be kept under civil service, and among

other things says: "If there was ever a time when veterans' preference should not be relaxed, but on the contrary where both the need and the justification for it is commanding, it is in all of these matters having to do with post-war planning."

If this language is not stricken from the bill, we are serving notice that we intend to make jobs in the post-war agencies a part of the spoils system, and that we really did not mean what we said when we passed the Veterans' Preference Act of 1944, namely, that we intended to see to it that veterans received real preferential consideration in the filling of jobs in the Federal service.

Senator DOWNEY. I might say that. Recently the Civil Service Committee reported out favorably the veterans' preference bill in employment in civil service, which, of course, will largely make civil-service positions primarily available to veterans.

Now, the American Legion very seriously objects to this provision in this bill to which Senator Austin and I have been referring and they desire to have the provision brought in line with the other measures that we passed during the war, which would make these positions outside of the Administrator and Deputy Administrator subject to civil-service requirements.

Senator THOMAS. This is almost as broad as the old R. F. C. Act, which let down all the bars.

Senator DOWNEY. It would let down all the bars except as to routine clerical, stenographic positions.

Senator AUSTIN. You move to strike out that phraseology after "Deputy Administrator"?

Senator DOWNEY. Yes; everything from there down to the words "the Administrator."

Senator AUSTIN. That is on line 10?

Senator DOWNEY. Yes.

The CHAIRMAN. I have a letter here from the American Legion. Would you like to hear it at this time?

Senator JOHNSON. We have not gotten to that point insofar as amending the bill. I suggest we wait until we reach it.

We have a reporter present, and I hope that when we consider the terms of this bill that it will be done in executive session, Mr. Chairman.

The CHAIRMAN. Well, if that is the case, is there any objection to this becoming an executive session?

Senator JOHNSON. If it is an executive session we will have to clear the room and dispense with the reporter. If we are going to have hearings, then let us have hearings. It is my understanding we closed these hearings yesterday. If that is the case why do we have a reporter here today?

The CHAIRMAN. As a matter of fact, I requested the reporter to come here this morning.

I told Mr. Clayton to come here and we would be delighted to have him. I would ask the committee to express their desire as to whether the committee wants to hear his testimony. It was my information and understanding we closed the hearing yesterday. If we are going to continue the hearings, I have 10 or 15 witnesses that have been after me every day who want to come here and testify on this bill.

I want to know what is the pleasure of the committee. Do you want to close the hearings or go ahead with this witness?

Senator CHANDLER. I move we do not close the hearings if Mr. Clayton wants to be heard. I would rather get through with the hearings and then take up the bill.

Senator JOHNSON. I agree with Senator Chandler.

The CHAIRMAN. I told Mr. Clayton we would be delighted to have him here this morning.

Senator MURRAY. I understand the situation to be exactly as you have stated it and I am informed that Mr. Clayton consulted Mr. Gross, and Mr. Gross told him to see the chairman about it.

The CHAIRMAN. Who is Mr. Gross?

Senator MURRAY. Mr. Gross is assisting my subcommittee on this work, and Mr. Clayton talked to him, and he informed Mr. Clayton that he should contact you as the chairman of the committee.

The CHAIRMAN. Mr. Clayton did contact me this morning.

Senator JOHNSON. I think we are fortunate in having Mr. Clayton give this matter all the attention he has and, as far as I am concerned, I will be glad to hear him.

The CHAIRMAN. Before Mr. Clayton begins to testify, I want to present this to the committee. I have a letter from the American Warehousemen's Association; I have a letter from the American Legion, and I have a letter here from Army Headquarters out at Patterson Field. Do you want me to read these letters or place them in the record?

Senator HILL. This Legion letter refers to a particular situation and I thought, Mr. Chairman, when we get to that point we would consult the letter then.

The CHAIRMAN. We will follow that procedure.

Mr. Clayton, you may come around.

STATEMENT OF HON. W. L. CLAYTON, SURPLUS WAR PROPERTY ADMINISTRATOR—Resumed, ACCOMPANIED BY COL. ROBERT R. BOWIE

Mr. CLAYTON. Mr. Chairman, when I testified yesterday I had been informed that an opportunity would be presented later on to offer amendments to the bill and discuss those amendments, and for that reason I did not offer them during my testimony yesterday. We have what we think are very important amendments which will strengthen the bill and make it a better bill, and with your permission I would like to offer those amendments and discuss them with the committee this morning.

The gentleman sitting on my right is Colonel Bowie, who was a member of the drafting committee of the legislative committee of which I spoke yesterday and he is here representing me and not the War Department.

Senator REVERCOMB. To which bill are you speaking?

Mr. CLAYTON. S. 2065 and its amendments, dated August 17, committee print. I think there is a copy of this print of the bill before each Senator.

Senator O'MAHONEY. Mr. Chairman, I quite agree with what Senator Chandler said and I think there is no doubt about the possibility of this continuing indefinitely. At the same time, we desire to have all the suggestions that can be made.

Now, the committee has before it a very effective comparison of the August 15 print of 2065, together with the Johnson bill.

I suggest that we extend to Mr. Clayton the opportunity to discuss any additional amendments he may care to present to the committee on the basis of the August 15 print, so that every member will know just what he is offering.

Senator REVERCOMB. I think that is a very wise suggestion.

The CHAIRMAN. Is that agreeable with the members of the committee?

Senator REVERCOMB. I think we should have before the committee the material suggested by Senator O'Mahoney.

The CHAIRMAN. If Mr. Clayton will proceed we will be very glad to hear him.

Senator HILL. I was going to suggest this: Mr. Clayton has used the print of August 17. Is that the one you used?

Mr. CLAYTON. That is the one, Mr. Chairman, which I think will make it more clear to the committee if they follow that one.

Senator O'MAHONEY. The only trouble with that is that we do not have copies of the August 17 print before us.

The CHAIRMAN. I believe we all have those copies.

Senator REVERCOMB. Mr. Chairman, may I suggest for the sake of following this that we use the flat book which contains committee print of August 15 and follow that alongside with the bill introduced by Senator Johnson and Mr. Clayton can use the August 15 print to point out the differences between that and the August 17 print?

Colonel BOWIE. The August 17 print is the same as the August 15 print. All the changes in the August 15 print are indicated by stricken type or by italics.

The CHAIRMAN. Now we all have before us copies of the August 17 print. Do you want to go on the basis of the August 17 print, or do you want to use the other print?

Senator AUSTIN. Let us use the comparative print and we can go from the comparative to the August 17 print.

Mr. CLAYTON. Mr. Chairman, before proceeding may I just specifically disclaim any intention of trying to write for the committee this bill. As you will note, it says, "Amendments to S. 2065 suggested by the Surplus War Property Administration."

I have assumed that the committee would want to take the time that was necessary to carefully consider every aspect of the bill and to consider any amendments which we might have to offer out of our experience, not only in administering the disposal of surplus war property for the last 6 months, but in giving very careful consideration, at the request of the committees of the Senate and of the House, to the subject of legislation and trying to provide for these committees recommendations with respect to such legislation.

The first amendment we have to offer is on page 2, line 17, to substitute the word "orderly" for "programmed" and the word "in" for the word "to."

Senator AUSTIN. It is on page 2 of the double print, line 18.

Mr. Clayton should correlate between the August 17 print and the double print. We want to have notes on all of the amendments on the same copy. We are working on the double print and I know many of us have memoranda on that print.

Mr. CLAYTON. On my print, line 17, page 2, in the double print it is line 18 of page 2, the word "programmed" changed to "orderly" and the word "to" to be changed to the word "in", so it will read: "and other countries by the orderly disposition of such surpluses in other countries."

Senator REVERCOMB. At this point, I want to ask this question, which is basic in declaring the purposes of this act. Is it the declared purpose that most goods shall be sold in foreign countries or may they be disposed of? I am talking about these immense quantities of materials and I am particularly interested in the metal question.

Is it going to be one of the prime objectives of this act to have the disposition of these goods in foreign countries or bring them back here? Is there anything binding or indicated as a policy here that these goods should be sold in foreign countries?

The CHAIRMAN. I do not think so.

Senator MURRAY. There is nothing in the stated policies of the bill.

Senator REVERCOMB. I am referring to No. 6 now.

The CHAIRMAN. That is one of the features or policies of the bill, to make the disposition of certain commodities in foreign countries.

Senator O'MAHONEY. Subparagraph No. 6 refers specifically to the promotion of "mutually advantageous economic relations between the United States and other countries."

I hardly think that amendment could be interpreted as meaning the development of economic relations to the advantage of other countries and not to the United States.

Senator REVERCOMB. Then it is your view that it is not a directive to sell these goods abroad?

Senator O'MAHONEY. I would think not.

The CHAIRMAN. Some goods we may sell abroad we might find it advantageous to do so.

Senator O'MAHONEY. Senator Revercomb was fearful there might be a directive in the bill which might be interpreted by the administrator or the director of the disposition of surplus property to require him to send the bulk overseas and that is not the case.

The CHAIRMAN. I do no think that is implied, Senator.

Senator REVERCOMB. That is satisfactory. I did not want any interpretation placed there that it was the purpose to sell abroad.

Senator HILL. Mr. Chairman, I suggest we let Mr. Clayton give the reason why he wants these changes.

Mr. CLAYTON. I think, Senator Hill, that more or less speaks for itself. It is better phraseology.

Senator HILL. I thought that was so, but I wanted to have you state the reason.

Mr. CLAYTON. In subsection 2, that is page 3 of your copy, line 2, we would have the word "normal" changed to "commercial distribution" and strike out "of trade and commerce."

Senator REVERCOMB. Why do you want to make that change, Mr. Clayton?

Mr. CLAYTON. We think that that is also better phraseology, Senator Revercomb. We would have it read: "To utilize commercial distribution channels to the extent consistent with efficient and economic distribution" and I would like to explain why we make that change. We would leave in "(without discriminating against the establishment of new enterprises)."

Senator REVERCOMB. Mr. Clayton, before that suggested change is made it requires the Administrator to use the normal channels of trade and commerce for distribution. Don't you think that ought to be done?

Mr. CLAYTON. No, sir; I do not think it should be mandatory as that language would require and for these reasons:

If we are bound to use always the normal channels of trade, we may sometimes find, for example, that those channels of trade may be in collusion against the Government. It is possible; it has happened before and may happen again. Also, we have found by experience that sometimes outsiders who are not in the business of distributing the particular kind of item we are disposing of will pay much better prices than the regular channels of trade. In those circumstances we do not think we should be compelled to use the regular channels of trade.

Senator O'MAHONEY. I suggest, Mr. Clayton, that one of the primary considerations of policy involved in this bill, as I see it, apparently represents a divergence between the point of view you have taken in your testimony and the point of view that some of the members of the committee have taken.

Your point of view seems to be that the prime objective is to dispose of the property at the best possible price and in the most expeditious manner from the point of view of the Government as a proprietor, whereas the members of the committee feel that that objective, while it is reasonable and natural and desirable in some circumstances, is not one which should be followed at any and all events in present-day conditions; that the policy of the committee should be to distribute this surplus property not to get the best return for the Government as a proprietor but to get the best results for the people of the United States by stimulating their business, by enabling them to secure this property and by enabling the Government to distribute the property in a manner best calculated to stimulate business activity throughout the country.

Now, I think that pictures the issue here and I take it the amendments which you have just suggested illustrate that point of view, that is, if a normal channel of trade is used in the distribution, may or may not, that is a matter to be determined afterward, may or may not be better for the business of the country and the people of the country than if we clothe the Administrator with the power to grant exceptions from the use of the normal channels of trade and when he sees an opportunity to get a better price for it, to sell it, let us say in great bulk, to one purchaser, who can take it off the Government's hands, or when he sees an opportunity otherwise to dispose of it without the character of the distribution entering into the picture.

I am giving the committee this statement because I want to emphasize the divergence of policy. I think it would probably be helpful to you in the discussion of the amendments you propose.

Senator REVERCOMB. I think the statement of Senator O'Mahoney is a very excellent one and I have asked the question I did of Mr. Clayton because his amendment left it open to the Administrator of the act to use such methods as he may choose to distribute this property, whereas the view of some Senators, and certainly it is my view at the present time unless I am shown to be wrong, that the normal channels of trade should be and ought to be used and the Administrator ought to be limited to them.

Now, there are other restrictions in this bill that protect small business, other business, and it is for the purpose of the general welfare of the people, and in the light of that purpose that I feel the bill ought to be written. I just expressed the idea that the Administrator should be limited to using normal channels of trade to dispose of these goods and that is the reason I asked the question about the amendments proposed.

Senator CHANDLER. I am so anxious that the view of Senator O'Mahoney be adopted by the committee that I want the committee to definitely write the policy into the bill so that the Administrator will not have any choice.

Senator REVERCOMB. That is the view I have expressed.

Senator CHANDLER. I want to make that view clear and make Congress declare it.

Senator O'MAHONEY. In the meantime I suggest we permit Mr. Clayton to develop his amendments and give his views.

Senator MURRAY. It seems to me that the discussions that are taking place are going to make it necessary for us to sit here in session for the whole day. These are discussions which should take place, it seems to me, in executive session. The witness should be permitted to state clearly his amendments and explain them. But I think when we want to argue the matter out we should not encumber the record now and delay these proceedings by carrying on that interminable discussion.

The CHAIRMAN. Suppose we ask Mr. Clayton just to turn from page to page and to give us his notations in regard to the changes and give us his reason for the changes. After that we will immediately go into executive session.

Senator CHANDLER. If I want to ask Mr. Clayton a question, I want to ask it of him on the spot while he is here. I do not want to write him or send for him later. I do not want to have to go to his office, write to him, or try to get him anywhere around Washington. I am not in such a big hurry about this. I am trying to get this thing straight.

I do not think we should be stopped from asking him any such pertinent questions.

Senator REVERCOMB. We should have the right, certainly, to make inquiry as to why these changes are suggested.

The CHAIRMAN. You will have that right.

You may proceed, Mr. Clayton.

Mr. CLAYTON. Mr. Chairman, before proceeding, may I say, with all the emphasis I can give to the language, that Senator O'Mahoney is all wrong, completely wrong, in his idea of supposed difference in the point of view that I have about disposal of these surplus commodities and that of the committee as stated by him.

Senator O'MAHONEY. That was the conclusion I drew from your statements. I am sorry if I am incorrect.

Mr. CLAYTON. I have exactly the point of view that the committee has expressed, as expressed in Senator O'Mahoney's statement, and if in my testimony before these various committees I have failed to express it, it is because of my lack of the correct language or the right form of expression to make myself clear.

I have made this statement in almost these words at least three or four times before various committees of Congress, that I think that the country's interest in getting the last dollar that it has invested out

of these surpluses is secondary to its interest in the reestablishment of employment in civilian production and in the maintenance of a sound domestic economy. I have said that several times, and I am glad to state it again.

Senator O'MAHONEY. I think I understand you now.

Mr. CLAYTON. On this particular amendment which we offer, I want to give you an example, if I may, of why I think that the amendment in the language which the original print employs is unwise because then it would give us no alternative whatever.

The Treasury's Procurement Section, as you know, sells consumer goods under our policies and regulations. They told me a short time ago that they were trying to sell some refrigerators. They were rather cheap refrigerators. They contacted the dealers in the refrigerator business and the best bid they could get for these refrigerators was $42 a box. Some man came in who had, so far as they knew, not been regularly in the business of distributing refrigerators and offered them $55 a box for the refrigerators. They asked me what to do, and I told them to sell them for $55 a box, because I did not think it was in the interest of the Government to take the $42. It seemed to me under all the circumstances to be much too low a price, and I just had a feeling that the situation wasn't what it should be.

Now, if you put this language in here and say we must always, regardless, use the normal channels of trade, that is the kind of situation we will be faced with. I think you should leave us and leave any administrator who has the job of administering the sale of this property, some discretion as to whether he will always use the normal channels of trade.

Senator REVERCOMB. I want to say I thoroughly agree with you and refers to people already in business, or does it include new businesses also?

Mr. CLAYTON. What we have done on that, Senator Revercomb, is to say to people who come to us—and many of them have—with the suggestion that they would organize a corporation or a business to buy surplus property and make money out of it, we feel we should deal with other people. They would be discriminated against. I have told them frankly that I did not mean to tell them they would never be able to buy any of this property regardless of what they offer, but I do tell them that they will certainly have to offer more than people in the regular commercial channels of trade.

Now, if new businesses are being organized, in our opinion, in a normal way, to do business in a normal way and in normal times, and not for the main purpose of coming in to buy this surplus war property, that they would not be able to buy it on a par with them, because we do not think we should have it in our power to, in a sense, freeze the existing establishments or businesses.

Senator REVERCOMB. Do you think the normal channels of trade the language of the bill, as written, also with your amendment, which uses this language: "without discriminating against the establishment of new enterprises." That is the way it should be; but the thing I am aiming at is to prevent the setting up of a Government distribution agency. Let it go through the normal channels and new enterprises, not through a governmental distributor.

Mr. CLAYTON. May I say, Senator Revercomb, that I would agree to any language you could put into this bill that would carry out that

objective, because we are determined that we will not set up Government distributing channels to compete with private people. There are several reasons we could not do it if we wanted to.

One is because of the manpower situation and we do not think we should do it if we could.

This language you have originally would not let us sell those refrigerators to that man for $55 because he was not setting up a new establishment, he was just coming in to buy the refrigerators.

Senator REVERCOMB. Would that be a new establishment?

Mr. CLAYTON. I do not think so.

Senator O'MAHONEY. May I call your attention to the language of subsection 5 and ask whether that—"to assure the sale of such surpluses in such quantities and on such terms as will discourage disposal to speculators or for speculative purposes"; does that not give you sufficient discretion to rule out such a sale as the one you cited as to refrigerators?

Mr. CLAYTON. You mean not to sell to the man who offered $55?

Senator O'MAHONEY. No; the man who offered $42.

Mr. CLAYTON. I think not, Senator O'Mahoney.

Senator O'MAHONEY. I was just asking the question.

Mr. CLAYTON. Not in the language here under (b) 2, because I would take that as being mandatory.

If you adopt our suggested amendment, it still means that you want us to use the regular commercial channels of trade and the Administrator, I think, certainly would under the act, but it still leaves some discretion to protect the interest of the Government where we think it needs to be protected.

Senator MURRAY. Under your proposed amendment, new organizations could be set up all over the country and could come in and bid for this stuff and bid higher prices than the normal business concerns who bid; isn't that true?

Mr. CLAYTON. Senator Murray, that was true insofar as new enterprises were concerned in the original print. The original print said, "without discriminating against the establishment of new enterprises."

Senator MURRAY. That is right, but I mean to say speculative organizations could be set up all over the country. How would you determine whether they were normally being organized for the purpose of continuing in business? How are you going to determine whether they were going to be permanent?

Mr. CLAYTON. It is very difficult.

Senator MURRAY. Then why not confine the thing to the normal business channels, and if you find that they are ganging up or entering into a conspiracy they can be taken care of in the proper way. It seems to me you are going to permit speculators to organize and come in and do a lot of damage to the regular business concerns.

Mr. CLAYTON. Speculators, Senator Murray, are not going to come into the situation unless they can buy property cheap.

Senator O'MAHONEY. May I make a suggestion? Look at your proposed amendment. It reads: "to the extent consistent with efficient and economic distribution."

Now, suppose we were to add there: "and the promotion of the general objectives of this act."

Mr. CLAYTON. That is entirely all right, entirely satisfactory.

Now, on page 6, line 6 of the comparative print, we would like to add after "Deputy Administrator" the following: "Assistant Administrators and special assistants."

The Administrator will have to obtain the services of some very able business people and use them as assistant administrators and special assistants and we think he should have the right to do that without having to go through civil service.

That is on page 5, lines 11 and 12 in the print of August 17.

Senator CHANDLER. Wouldn't that—referring to "and other experts in the discharge of the duties imposed upon him and in furtherance of the objectives and policies of this act"—take care of that without naming a lot of specialized assistants, assistant deputies, and assistants to the assistants and so forth? I dislike naming a lot of people in an act. Wouldn't that language take care of what you want?

Mr. CLAYTON. It might, Senator Chandler. It seems it would be much better if we could include it under the power to appoint.

Senator JOHNSON. If we are going to adopt the suggested amendment by Senator Downey, it will be necessary to write in the assistants.

Senator MURRAY. Under Senator Downey's amendment all would be stricken out except the appointment of the deputy.

If that is done, how would it affect you in the administration of your duties?

Mr. CLAYTON. It would affect us very adversely, Senator Murray. As I said, we do have to call upon able businessmen to come into the agency and we must give them a title of assistant administrator and special assistant to the administrator and we feel that we ought to be able to select these men without having to go to the civil service. The rest of them clerks and stenographers, clerical force and so on, can be gotten through the regular civil service way.

Senator MURRAY. I agree with you. It is necessary to have that power, that authority, otherwise you are going to have difficulty in getting the necessary men to administer the act.

Mr. CLAYTON. In the same section we would like to change the word "may" to "shall," in the sentence reading:

> The Administrator may, where practicable, perform the duties imposed upon him through the personnel and facilities of other Federal agencies.

I feel very strongly that this Surplus War Property Administration should be kept on a very simple and policy-making basis and that the staff should be a small one and that most of the work that the agency will have to do can be done by other Federal agencies and so I think it would be well to change "may" to "shall".

The next amendment is in section 3, subsection (c). We have deleted the words—

> except that the disposal abroad of surplus property of the same type or class may be assigned to more than one agency.

Before that—I will go back to lines 7 and 8 of your print, where we have changed it to read, subsection (d):

> To assign surplus property for disposal by the fewest number of Federal agencies practicable and, so far as he deems feasible, to centralize in one disposal agency responsibility for the disposal of all property of the same type or class.

We have added the words "so far as he deems feasible" and we then delete the remaining words "except that the disposal abroad of surplus property of the same type or class may be assigned to more than one agency," and we add the words "*Provided, however* * * *."

We find in some cases it is better to turn over to the Procurement Division of the Treasury, for instance, goods which would ordinarily be called capital goods and vice versa.

In the same section, the next amendment, in subsection (e), that has been deleted entirely because we moved it over to section 5, subdivision (d), because we feel that was the place where it belonged. We will come to it a little later.

We have added a section 4 and that makes the section 4 in your bill become section 5.

If it would be possible to follow the August 17 print, it would be much clearer to the members of the committee.

Senator JOHNSON. Let us do that and when we get into executive session we can go back to the double print.

The CHAIRMAN. We can do that.

Mr. CLAYTON. What we are talking about now is at the bottom of page 6 in the August 17 print. We delete subsection (e) entirely because that is moved over to a later section and then subsection (f) becomes (e).

The next change is near the bottom of page 7 in subsection 5. That has been deleted because we did not know what it meant and we have no knowledge of existing discriminations affecting the disposal and use of Government-owned plants and property. We thought it just as well to delete it unless you gentlemen know of some.

Senator MURRAY. Couldn't some occur?

Mr. CLAYTON. It says existing.

Senator MURRAY. Existing at the time the act was being put into operation and the Administrator was administering. If he found them existing at any time during the course of his administration, that is what is meant, I believe.

Mr. CLAYTON. We have no objection to leaving it in.

Senator MURRAY. I would not insist on having it in if it was not proper.

Senator THOMAS. I think it ought to be in, Mr. Chairman, in the light of your heading there.

Senator MURRAY. I cannot see any objection to it.

Mr. CLAYTON. Would it improve it a little to say "for the prevention of any discriminations" instead of "removal"?

You could say "removal or prevention of any discriminations."

Senator THOMAS. I think your word "removal" is broader than the two together, if I understand English.

Mr. CLAYTON. Then on the bottom of page 7 we change section (g) to section (f) and the last word is stricken out, "assigning" and we substitute the word "affording," and we strike out—

> preferences to the extent feasible and consistent with the policies of this Act in the acquisition of the * * *.

The sentence then reads:

> To effectuate the objective of this Act to aid honorably discharged veterans to establish and maintain their own small business or agricultural enterprises by affording such veterans suitable opportunities to acquire types of surplus property useful in such enterprises.

Then, in the next sentence of the same section we insert the words "and the Smaller War Plants Corporation," so that the sentence reads:

The Administrator in cooperation with the Administrator of Veterans' Affairs and the Smaller War Plants Corporation shall prepare and submit to Congress within six months after enactment of this Act, a report setting forth the feasible means planned to effectuate the objectives of this subsection.

We then add a section 4, which reads:

(a) Notwithstanding the provisions of any other law but subject to the provisions of this Act, the Administrator and any disposal agency designated by him under subsection (c) of section 3 of this Act are authorized to dispose of surplus property.

(b) Notwithstanding the provisions of any other law but subject to the provisions of this Act, any Government agency authorized to dispose of property under this Act may dispose of such property by sale, exchange, lease, transfer, or other disposition for cash, credit, other property or otherwise, with or without warranty, and upon such other terms and conditions as the agency deems proper.

That is in the House bills.

Senator MURRAY. What is the purpose of these two suggestions?

Mr. CLAYTON. It is also an expansion of section 5 (e) on page 9, which we delete, which says:

Notwithstanding the provisions of any other Act, the Administrator is authorized to dispose of surplus property in accordance with the provisions of this Act.

Also on page 41 we delete—

Disposal or disposition means sale, conditional sale, or lease, for cash, credit, or other property; donation; or any other transfer.

Senator REVERCOMB. In your subsection (b) under section 4, what is the meaning of your right to dispose of such property "or otherwise"? You have listed cash, credit, other property or otherwise.

What do you mean by "otherwise" there?

Mr. CLAYTON. That is to give full discretion, Senator Revercomb, in disposing of the property.

Senator REVERCOMB. Does that mean give it away free?

Mr. CLAYTON. No; there is a provision in here, or rather, there is a provision in the House bill relating to that, which we have inserted in this bill, providing for giving away property and that provision is section 11, which reads:

Whenever the Government agency authorized to dispose of any property finds that it has no commercial value or that the cost of its care and handling and disposition would exceed the estimated proceeds, the agency may donate such property to any agency or institution supported by the Federal Government or any State or local government, or to any nonprofit educational or charitable organization, or, if that is not feasible, shall destroy or otherwise dispose of such property.

Senator REVERCOMB. Do you mean to say "otherwise" as used in subsection (b) of section 4 of the print of August 17, 1944, is limited by the section you have just read?

Mr. CLAYTON. I think so, yes, sir; and I do not think that the word "otherwise" in this section would give any agency the right to give property away.

Senator THOMAS. Mr. Clayton, could you give a simple illustration of what provision in law you are thinking about when you ask for a waiver; just one?

Mr. CLAYTON. We ask for what?

Senator THOMAS. You are asking for a waiver of provisions in certain laws. Give me one law that you would have to get rid of.

Mr. CLAYTON. I do not believe I can at the moment. I cannot think of any right now.

Senator THOMAS. I cannot either, and I was wondering about it.

Mr. CLAYTON. There may be.

Senator THOMAS. You do not know of any law you are waiving when you offer this suggestion, any given law?

Senator CHANDLER. There are some he waives.

Senator THOMAS. Advertising for bids, and so forth, things of that kind.

Mr. CLAYTON. That is one; definitely.

Senator JOHNSON. An act of Congress as to the transfer of or the sale of real-estate property previous to 1940 is another one. Another one is a restriction on giving away vessels and ships that Congress not so long ago passed.

Mr. CLAYTON. I think that would be covered, Senator Johnson, by the provision here, assigning disposal of ships to the Maritime Commission under existing laws relating to such matters.

Senator JOHNSON. It opens the door to the Maritime Commission.

Mr. CLAYTON. No; it says disposed of in accordance with the provisions of the Maritime Act, as amended. This says:

notwithstanding the provisions of any other law, but subject to the provisions of this Act * * *.

At the bottom of page 8, we have changed section 4 to read "section 5" and have inserted in the next to the last line the words "Assistant Administrator." I think that speaks for itself.

On page 9, we have deleted sections (d) and (e) because they are covered elsewhere; (d) is covered on page 5, lines 16 to 18, and (e) is covered in section 4, which we have just read.

We have added a subsection (d) reading:

The Administrator shall prescribe regulations to effectuate the provisions of this Act. Each Government agency shall carry out regulations of the Administrator expeditiously and shall issue such further regulations, not inconsistent with the regulations of the Administrator, as it deems necessary or desirable to carry out the provisions of this Act. The regulations prescribed under this Act shall be published in the Federal Register.

That takes the place of (e), on page 6, which we passed, which was deleted and moved here.

Section 5 we have deleted. That section reads:

The Administrator is authorized to prescribe such restrictions on the return to the United States of surplus war property disposed of abroad or sold in this country for export as he determines to be necessary to prevent the return of such property from interfering with the objectives and policies of this act. The imposition of these restrictions shall be enforced through the Treasury Department.

I would like to say as to that, that our method of proceeding soon after the Surplus War Property Administration was created was to organize some committees to discuss various aspects of the problem and to make a report and recommendations to us and in line with that we appointed a committee to consider disposal of surplus war property abroad, and this is a question which that committee discussed at considerable length and advised against the imposition of any restrictions or authority on the Administrator, such as this section would confer.

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Senator REVERCOMB. Does that mean, Mr. Clayton, that you are going to take out of this act the restriction that would prevent foreign purchasers from purchasing goods disposed of under this act and then send them back to this country for sale? I think such restriction ought to be definitely in the act.

Doesn't your striking out of section 5 take away that restriction?

Mr. CLAYTON. Yes, sir; it takes away such authority as that section may confer and the reason, Senator Revercomb, is that the State Department very seriously objected to that section, and a further reason is that we believe if the disposal of this property is properly coordinated as between the United States and foreign countries, that we will be able to so fix the pricing policies that we will not sell abroad goods at prices so low as to make it profitable to reimport them into the United States. We think if we should sell goods at such low prices that it probably would be considered as dumping, which is very much frowned upon, as you know, by all countries, our own included, and we feel that this is a matter that we will be able to control by our pricing policies.

Senator REVERCOMB. Don't you think there ought to be an absolute bar against selling our surplus goods located in other countries to foreign purchasers and then permit them to bring those goods for resale back to this country? I think there should be such a law.

Senator JOHNSON. I have such a bar in my version, and may I cite another reason, Senator Revercomb, that you have not mentioned?

There is a provision in this bill some place, I cannot turn to it readily, but there is a provision in this bill which removes all of the provisons of this act in the sale of goods to foreign sources so that what eventually could happen, if the Administrator wanted to do it, he could sell abroad without restrictions and the goods could come back to this country.

Senator REVERCOMB. If the goods are usable in this country and are needed here they should be brought back here and put through the regular channels of trade in this country and not sold to a purchaser in a foreign country for delivery to this country by importation into this country.

Senator JOHNSON. You see, the situation is that a large percentage of our surplus property is abroad. I do not say the Administrator would do anything of this kind, but under the bill, with his amendment in there, such goods could be sold to some foreign source and then brought into this country and all of the provisions of this bill set aside.

Senator REVERCOMB. That is the reason I feel section 5 should not be stricken from the bill.

Senator MURRAY. Mr. Chairman, I do not see how provision of this kind, barring the importation of surplus goods which have been sold abroad, can do any harm. I do not see why it should be objected to at all.

I understand following the last war this country sold in France some several billion dollars' worth of surplus goods for a price of $800,000,000 and they immediately boxed it up and shipped it over to this country and put it into competition with American goods. It seems to me there should be some bar there.

The CHAIRMAN. Senator Johnson's bill bars it. I am in favor of that.

Senator MURRAY. I mention again, Mr. Chairman, that I do not think we should have to argue this matter here. This is for the executive session, and I think we will take all day long if we will discuss minutely each point here. I think we should not do that with this witness here now. I think we should leave that for the executive session.

Senator HILL. The Senator knows we are going to go back to the argument before we vote anyway.

Senator CHANDLER. Mr. Chairman, I still insist on my right to question him.

Senator MURRAY. I do not see how the Senator can misconstrue my point. I am perfectly willing that every Senator should ask any question he desires, but I do not think we should argue this out to a final point because we will be here all day, or a few days, in fact, with this one witness. We should do that at the executive session.

Senator CHANDLER. I think my friend from Montana violated his own rule.

Senator MURRAY. I am compelled to do it because Senator Revercomb is doing it.

Senator O'MAHONEY. Mr. Clayton, I understand you to say that the State Department has expressed some concern about this provision which you have stricken out.

Was the opinion of the State Department expressed at the hearings in the House, or was it expressed to you?

Mr. CLAYTON. No, sir; it was expressed to the committee that I appointed to consider this.

Senator O'MAHONEY. What reasons were given?

Mr. CLAYTON. At the moment I do not recall.

Senator JOHNSON. It was also expressed to the subcommittee, and I have a copy of it right here in my desk and I will be glad to give it to you, Senator.

Mr. CLAYTON. Of course, a provision of this kind would be very difficult to enforce because much of the goods would be changed in form, and to identify them on reentry into the United States would be very difficult. That point has been made by the Treasury Department.

With reference to the last war, our information on investigation is that there was only about $200,000 worth of goods sold in France which were actually returned to this country. That is the information we have received.

Senator HILL. Out of the $800,000,000.

Mr. CLAYTON. Yes. I do not want to labor the point.

The CHAIRMAN. How much do you say was sold to France last time?

Mr. CLAYTON. The figure I have is that one and three-quarters of a billion dollars' worth of goods were sold in France for $400,000,000.

The CHAIRMAN. Did they ever pay the $400,000,000?

Mr. CLAYTON. We took their notes.

The CHAIRMAN. Did they pay the notes?

Mr. CLAYTON. We never collected.

Senator MURRAY. I understand from Senator Truman that the amount was much larger than that; it was $4,000,000,000 worth, and we sold it for $800,000,000.

Senator TRUMAN. Altogether it included four billion.

The CHAIRMAN. How much did we get for it?

Senator TRUMAN. $800,000,000, which was never paid.

The CHAIRMAN. We got an IOU and that was never paid.

Senator CHANDLER. At this time, if we will permit that sort of sale to be made and subsequently such goods find their way back to be sold in this country to the soldiers, they are going to come up here and tear somebody down. They do not want that sort of thing to happen again; they know about it.

If you put this amendment back in, it would keep that sort of thing from happening.

Mr. CLAYTON. On page 11, section 7, we have changed the language from "Each Government agency charged with responsibility for disposal of surplus war property" to read: "Each disposal agency * * *."

That is the expression we use all the way through, and "disposal agency" is defined in the bill. On page 12, section 8, we have stricken out the words "such surplus property promptly to the Administrator" and have substituted the words "promptly to the appropriate disposal agency all surplus property in its control which the owning agency does not dispose of under section 12."

The section would now read:

Every Government agency shall have the duty and responsibility continuously to survey the property in its possession or control and to determine which of such property is surplus to its needs and responsibilities, and to report promptly to the appropriate disposal agency all surplus property in its control which the owning agency does not dispose of under section 12.

The procedures which we have adopted provide that the surpluses shall be reported directly to the disposal agencies so as to shorten the time and the work involved.

We have deleted sections (b), (c), and (d) entirely, as you will observe, and we suggest the new section (b) to read as follows:

Whenever in the course of the performance of his duties under this act, the Administrator has reason to believe that any owning agency has property in its control which is surplus to its needs and responsibilities and which it has not reported as such, the Administration shall promptly report that fact to the Senate and House of Representatives.

Senator CHANDLER. Let me ask you a question there. If they do not report the fact they have surplus property to the Administrator and they do report it to the appropriate disposal agency, as provided in your amendment under section 8, how are you going to be informed, or how is the Administrator going to be informed?

Mr. CLAYTON. Senator Chandler, we work very closely with the disposal agencies every day.

Senator CHANDLER. How many are there?

Mr. CLAYTON. There are about six or seven so far and we have provided forms on which they report to us the declarations of surpluses and the disposals which they have made, so we keep in constant touch with what they are doing.

To read further:

Each Government agency shall submit to the Administrator (1) such information and reports with respect to surplus property in its control, in such form, and at such times, as the Administrator may direct; (2) information and reports with respect to other property in its control, to such extent, and in such form, as the agency deems consistent with national security.

Senator CHANDLER. Wouldn't that permit the disposal agency to be the judge of whether they report that or not? Do you foresee any delay in the Administrator having notice of the existence of surplus property in a disposal agency?

Mr. CLAYTON. No, sir. This says:

Each Government agency shall submit to the Administrator such information and reports with respect to surplus property in its control, in such form, and at such times, as the Administrator may direct.

Senator CHANDLER. It gives you the right when you have reason to believe something like that has not been done to report to Congress, that is, you are suspicious something is holding up a certain piece of information.

Mr. CLAYTON. That has reference to surplus property.

Senator CHANDLER. I understand that.

Mr. CLAYTON. That, of course, is reported to us regularly by the disposal agency on forms which we supply so that we know constantly what surpluses are reported to them, and we know the progress that they are making in disposing of it.

When any surplus property is reported to any disposal agency under subsection (a) of this section, the disposal agency shall have responsibility and authority for the disposition of such property, and for the care and handling of such property pending its disposition, in accordance with the policies, standards, methods, and procedures prescribed by the Administrator. Where the disposal agency is not prepared at the time of its designation under this Act to undertake the care and handling of such surplus property the Administrator may postpone the responsibility of the agency to assume its duty for care and handling for such period as he deems necessary to permit its preparation therefor.

(d) Any Government agency may execute such documents for the transfer of title or other interest in property or take such other action as it deems necessary or proper to transfer or dispose of property or otherwise to carry out the provisions of this Act, and, in the case of suplus property, shall do so to the extent required by the regulations of the Administrator.

Now, it has been necessary to provide that the care and handling of this property should continue as the responsibility of the owning agency until the disposal agencies are equipped to take it over. That has been done with the consent of the principal owning agencies—that is, the War and Navy Departments, and the Maritime Commission.

Senator HILL. Let me ask about subsection (d) there.

You seem to draw a line of distinction between surplus property and other property. Why is that? This bill deals with surplus property only, doesn't it?

You say "and, in the case of surplus property, shall do so to the extent required by the regulations of the Administrator." Why the need for that other?

Mr. CLAYTON. Because, Senator Hill, section 12 of the bill permits owning agencies, that is on page 18, owning agencies to dispose of property under certain conditions before it is declared surplus so that we have to include both.

Senator HILL. That property before it is declared surplus property does not come under your jurisdiction at all, does it?

I think that is very important and we should know definitely as to that.

Senator JOHNSON. That is very fundamental. If this bill pertains to anything but surplus property we better know about it right now.

Senator HILL. That is the reason I asked that question.

Mr. CLAYTON. Section 12 (c) on page 19, reads:

> The Administrator shall have the responsibility for reviewing the disposal actions and the decisions with respect to the classification of property of the owning agencies under this section to assure the fulfillment of the objectives and policies of this Act and whenever he finds it necessary he shall restrict by regulation or rescind the authority of any owning agency to dispose of any class of surplus property under subsection (b) of this section.

Senator JOHNSON. That is still surplus property.

Senator HILL. That is still surplus property. I do not understand about the other property.

Mr. CLAYTON. What is the point, Senator?

Senator HILL. The point is if subsection (b) on page 14 were adopted we would give power to a Government agency to transfer title of other interests and property other than surplus property. Why should we go into the question of other property here?

Mr. CLAYTON. That section (d), Senator, is very specific in saying that they may transfer or dispose of property or "otherwise to carry out the provisions of this act."

Senator REVERCOMB. Who determines whether property is surplus property or not?

Mr. CLAYTON. The owning agency.

Senator REVERCOMB. You mean to say before the agency set up by this bureau can touch it, the owning agency must say it is surplus?

Mr. CLAYTON. Yes.

Senator REVERCOMB. Before they say it is surplus they can dispose of that property as not surplus property?

Mr. CLAYTON. Only under the provisions of sections 12 of this act, which we will get to later.

Senator HILL. Suppose we hold it until we reach that section.

Senator JOHNSON. In connection with the testimony, property is defined in (d) of section 30, and it is very inclusive, it includes everything that the Government may own.

Mr. CLAYTON. On the bottom of page 14, section 9, we have changed the language to read as follows:

> Every disposal agency shall maintain in each of its disposal offices full records of the inventories of the surplus property of such office and each of the disposal transactions negotiated by such office and shall make the information in such records available for inspection by the public.

I think that speaks for itself.

Now we go to page 16, lines 2, 3, 4, and 5, and you will note the deletion there. It read originally:

> All such transfers shall be made upon such terms and with such charge to the appropriation of the transferree for the value thereof as the Bureau of the Budget shall determine to be in accordance with existing law * * *.

and we have altered it to read:

> All such transfers shall be made at the sale value of the property as fixed by the disposal agency, under regulations of the Administrator, unless transfer without reimbursement or transfer of funds is otherwise authorized by law.

Elsewhere we have suggested that the duration of the act be limited to 3 years, because we considered it, and I think we should all consider it, as temporary legislation.

We will no doubt have, and the Administrator will no doubt have, numerous amendments or additions to suggest to Congress that should be made to the bill after a few months, or 6 months or a year perhaps, of experience in administrating the disposal of this property under the act so that we think it should be considered as temporary legislation. That is the way the House bill reads. It is limited to 3 years.

Section 11, on page 16: "Disposal to local governments," we have struck all that out and I am not going to labor the point, but we have done it for this reason, that there is no way for anybody to tell what the value of this property that you propose to donate here in this section may be. It may be $500,000, it may be $200,000,000, and I just wonder if Congress wants to provide, just because this may happen to be surplus property, the donation or the appropriation to these agencies named in this section, of an indeterminate amount like that.

Isn't it better if Congress wishes to make appropriations, and I speak now largely as a citizen and not as Administrator of the Surplus War Property Administration, because this section as you have it drawn makes it very simple for the Administrator. All he has to do is take all this property and hand it over so it is very simple. I just question it as a citizen, that is, I question whether you want to do a thing of that kind.

Senator O'MAHONEY. I agree with Mr. Clayton. I think any distribution of Government property to States and local governments should be made only in accordance with the specific directions of Congress because otherwise there might be all sorts of discriminations. It might go to one State or one section to the disadvantage of other States or other sections.

Senator HILL. There is this about it. If we are going to make the donation or make any donations we are very likely to have to make it in the act after the property is otherwise disposed of.

Senator O'MAHONEY. The one way to provide for it would be to have the local or State government make application therefor and they may be given the right to acquire it after such application is made.

Mr. CLAYTON. We have added section 11 on page 18, which is in accord with the House bill. It reads:

> Whenever the Government agency authorized to dispose of any property finds that it has no commercial value or that the cost of its care and handling and disposition would exceed the estimated proceeds, the agency may donate such property to any agency or institution supported by the Federal Government or any State or local government, or to any nonprofit educational or charitable organization, or, if that is not feasible, shall destroy or otherwise dispose of such property.

That permits the donation only of property which has no commercial value, which, I think, gentlemen, is a sound disposition of the problem and is a sound position for the Administrator to be in.

Senator O'MAHONEY. Will you develop a little more your thought about the destruction of property?

Mr. CLAYTON. Senator O'Mahoney, we think that no useful property should be destroyed until we have made every effort possible to find a buyer for it. But an example of what we mean may be found in a 15-inch shell of the Navy. That shell, as such, is not worth anything for civilian purposes, obviously, and I understand that the cost of disassembling it and taking the various materials out of it may be of greater cost than you would derive out of the sale of the resulting scrap. That is something that perhaps should be destroyed; I do not know, but I think it offers a fair example.

Senator O'MAHONEY. I know in the past the country has frequently been flooded with criticism of agencies which have found it necessary to destroy various items of property. I have in mind at the moment when certain C. C. C. camps were being abandoned and closing which the agency felt was vermin-infested for reasons of public health were destroyed, were burned up. The result was that numerous complaints came to Congress, alleging that property, usable property and valuable property, was being destroyed without reason. I think we ought to exercise the greatest care about granting any authority to destroy.

Mr. CLAYTON. I certainly agree with you and I think that if you studied this section 11 carefully you would see that it would be impossible to destroy anything under that section that really should not be destroyed because first of all it must have no commercial value and then in the next place it must be found not feasible to give away. Only under those two conditions would the destruction of property be authorized.

Senator O'MAHONEY. It ought to be made very clear.

Senator JOHNSON. Those are pretty wide-open doors, those two exceptions.

If you had it in a place where you could not transport it, let us say, you could burn it up, under this provision.

Senator AUSTIN. It is a considerable dilemma for an administrator to find himeslf in, that is with material on hand with no commercial value and no authority to destroy it. I know that from experience as administrator of an estate.

Senator O'MAHONEY. It has been the practice of the Government in years past to refer such matters to a committee of Congress before there is any destruction. That may be very difficult for adminstration in a matter of this kind.

Only recently this committee sent a special subcommittee to confer with the Secretary of War with respect to the destruction of certain materials that had been acquired by the War Department. We were very careful to see that no avenue was left open for criticism. I think it would be worthy of consideration by the committee.

The CHAIRMAN. Thank you for your observations, Senator.

Mr. CLAYTON. Of course poison gas would be a very good example; obsolete poison gas.

Senator O'MAHONEY. It might be the committee could spell out definitely those things which should be destroyed on the action of the Administrator alone.

Mr. CLAYTON. Subsection (b) of section 12, page 18, we have stricken out the words, "and to the provisions of section 17 * * *" so that it reads, "subject to subsection (c) of this section, any owning agency may dispose of * * *."

Section 17 relates to stock piling and I would like to discuss that when we come to it.

At the top of page 20 we have deleted "owning and" so it reads, "to that end the Administrator shall cause the disposal agencies to adopt and pursue the following measures."

I think that speaks for itself.

Senator REVERCOMB. Coming back to pages 18 and 19, with respect to the disposition by owning agencies, would that mean the owning agency may dispose of damaged or worn-out property and waste salvage scrap, products of industrial research, agricultural, or livestock operations, without bringing them under the surplus-property bill?

Mr. CLAYTON. Senator Revercomb, in the first case the property is damaged or worn. It has to be in such a condition that it is beyond economical repair.

Senator REVERCOMB. I understand the language so states.

Mr. CLAYTON. Then under section 3 there is reference to the operations, for example, of an experimental farm, by the Department of Agriculture. It refers to the operations of the T. V. A. and governmental institutions of that kind, which are regularly engaged in activities of a sort which we think should not subject them to coming under this bill.

Senator O'MAHONEY. I take it the purpose was to avoid compelling agencies of the Government from submitting to the Surplus Property Administrator property which in the normal course of their business they dispose of themselves.

Mr. CLAYTON. That is exactly it, Senator O'Mahoney.

I do notice subsection (c) of section 12 says:

> The Administrator shall have the responsibility for reviewing the disposal actions and the decisions with respect to the classification of property of the owning agencies under this section to assure the fulfillment of the objectives and policies of this Act and whenever he finds it necessary he shall restrict by regulation or rescind the authority of any owning agency to dispose of any class of surplus property under section (b) of this section.

On the top of page 20 we have cut out "owning and." I have already spoken of that.

On page 21 we eliminate subsection (c) of section 13. It reads:

> The Smaller War Plants Corporation shall have the power to purchase any surplus property for resale or other disposition to small business, when, in its judgment, such disposition is required to preserve and strengthen the competitive position of small business, or will assist the Corporation in the discharge of the duties and responsibilities imposed upon it.

I spoke of that yesterday and I would like just a moment to speak of it again. If that provision is left in the bill you set up the Smaller War Plants Corporation as a disposal agency in competition with all the other disposal agencies which it seems to us is a very unwise thing to do.

I listened yesterday to Mr. Maverick and he spoke of their wish to have the right to dispose of Government surplus machine tools and give them to small plants and take in exchange worn-out, absolete tools.

After considerable study and consideration we have devised a policy for the disposition of machine tools owned by the Government and have set a price on those tools. That was done after consultation with the War Finance Corporation. I feel in the plans that Mr. Maverick outlined to you yesterday, if it should be permitted to take form, that our disposal of surplus machine tools of the Government would be very gravely interfered with. The Government has something like two and one-half billion dollars invested in these machine tools and we feel that if we can proceed with our plans that we will be able to dispose of a large amount of such tools to very good advantage and dispose of them in this country and abroad.

I think Mr. Maverick is wrong, is in error in his evident belief that he would be able to dispose of any considerable number of worn-out and obsolete machine tools abroad.

Senator CHANDLER. Suppose he could do it? What would be the objection of having these small plants get the opportunity to receive new machine tools and have the old ones taken from them?

Mr. CLAYTON. There is not only no objection to it, Senator Chandler, we have devised an installment plan for selling these tools to small plants.

Senator CHANDLER. I do not care what he does with them. I have no desire or wish to have them passed on to someone else if they are no longer usable. I am of no disposition to wish obsolete machinery or bad machinery on some other fellow and ask him to do something with it.

During this war period a lot of small plants, who have performed good services for the country, have worn out their equipment. Their plants have deteriorated and their parts have worn out, and they really are in need of new equipment. If the Government happens to have some machinery and some equipment that will keep those fellows running, and they have survived and have not been subsidized by the Government, aren't they entitled to the consideration that Mr. Maverick, as I understood, proposed to give them?

Mr. CLAYTON. They are entitled to every consideration now, Senator Chandler. We propose to give it to them. The only thing we ask you to do is please have only one agency of Government dealing with that matter instead of two.

Senator CHANDLER. He would not be under your plan as one of the disposal agencies?

Mr. CLAYTON. No, sir. Under this he has a right to buy these materials, these surpluses, and do with them as he pleases.

Senator HILL. That is what I understand you object to?

Mr. CLAYTON. Yes; we ask it be stricken.

Senator CHANDLER. If Congress would announce the policy, as that is what we want done, because we believe that is in the best interests of the people, the Administrator would carry it out in any event just as faithfully as Mr. Maverick proposes to do it? I have no wish to say who shall do it; I just like to have it done.

Mr. CLAYTON. This bill provides, Senator Chandler, that it be done by disposal agencies, which the Administrator would appoint for that purpose. If we are going to have two disposal agencies trying to sell machine tools, each working on their own, I think you will see it will develop into a very difficult job.

Senator JOHNSON. The provision you have stricken out would make the Smaller War Plants Corporation a middleman, a jobber, in handling these tools, because they would buy them and sell them.

Mr. CLAYTON. That is correct, they would be selling Government machine tools in competition with the regular disposal agency in that commodity.

I would like to say this, that the Smaller War Plants Corporation is a member of the present Surplus War Property Policy Board. We confer with them right along on matters of this kind. We have set up a committee with Mr. Maury Maverick as chairman, to work out the best ways and means of distributing this property to smaller business. We have provided that the disposal agencies shall put the Smaller War Plants Corporation's regional offices on their mailing list, along with other Government agencies, so that they will be advised immediately of the availability of surpluses for sale and shall cooperate and work with them in every way possible.

On page 22, section 14, "Disposition of plants," we have stricken out that whole section and substituted another section (a) for section (b) and changed the language a little to conform with the understanding that we had with the Attorney General of the way in which he would like that section of the law to read. The language as we have it under section 14 (a) is the same provision that is in the House bill. It reads:

> Upon the request of the Attorney General, the Administrator or other Government agency shall furnish or cause to be furnished such information as the Administrator or any such agency may possess which the Attorney General determines to be pertinent to the application of the antitrust laws to the disposition of surplus property under the provisions of this act.

We have changed section (c) to read "(b)."

We have deleted section 15, at the bottom of page 23.

Section 15 says that the Administrator in selling any plant must take a commitment from the buyer to operate the plant for a period of 2 years.

I think, Mr. Chairman, any such condition would make it very difficult to sell any of these plants and in any case where we could sell under that condition it would in all probability considerably reduce the price because the purchaser would have to figure in case of the possibility of running into a depression he would not be able to shut down the plant and he might lose a good deal of money under a commitment that would compel him to keep the plant open.

In other words, it "bears" on the market the price at which the plant could be sold.

Senator HILL. Let me ask you this, Mr. Clayton. I realize this presents a difficult question.

What can we do though, to make certain where these plants are sold, insofar as we can make certain, that they are productive and not scrapped to junk or moved up somewhere else. I recognize the difficulties, I see the side you have just pictured here as to the purchasers.

Most managements are going to be reluctant to sign a contract, come what may, that they would run the plant, even for a short period of 24 months.

Senator JOHNSON. A plant might be bought up by competitors and they may keep the plant out of business and not open up a new trade territory. They need not violate the antitrust laws. They may buy up plants and claim they use them for stand-by plants and still not operate them and keep them out of circulation.

Senator HILL. That is right. That is what I am asking Mr. Clayton about now. If he does not like this provision what can he offer us as a substitute? I think that is a vital question before us, as to how to keep these plants operating, if we can.

Mr. CLAYTON. I think it is a vital question, Senator Hill.

Senator HILL. That is one of the most vital problems, as I see it.

Mr. CLAYTON. I think you have to rely largely on two things. One, you have to rely on the Administrator who is going to make a careful study of the facts and will not sell a plant if the circumstances seem to indicate that it would be used in that way. The second thing is

that it is pretty difficult for a single concern to buy an expensive plant and shut it down. That sort of thing is usually done by a combination of interests within a single industry and that involves perhaps a violation of the law and it is not done very often. If it is a violation of the law and there is an opportunity to punish, it can be prevented that way.

I think if you have a condition of this sort, although you may have protection for 2 years, the disadvantages outweigh the advantages that would be achieved.

Senator HILL. Well, of course, as was brought out here yesterday, so much of our war industry is in the hands of big concerns and a lot of these concerns have many different plants and they might be allowed to buy a plant and close it down. We have that situation in Birmingham, in the steel industry, which is largely owned by absentee ownership, and they have a greater interest in Pittsburgh than in Birmingham. When the market gets tight, anyway, in the past they have closed down the Birmingham plants.

Mr. CLAYTON. Of course, section 15, under the heading "Planning," the Administrator is required to make reports to Congress as to how he proposes to dispose of the plants. We have made no changes in that section.

Senator HILL. I understand there is nothing binding in that. You submit it to Congress, but you go ahead.

Mr. CLAYTON. That is right. It would be very unwise to provide otherwise because it would delay, not so much from the point of view of getting the Government's money out of the plant, but from the point of view of reemployment. I know that we who have made quite a study of this matter and others who have made an exhaustive study of it, are of the opinion that these Government plants, some of them, will be needed to effectuate prompt reemployment in civilian production of workers no longer required in war production.

I think, quite aside from getting Government money out of the plants, we should consider that anything that may delay or impede the prompt sale of these plants, where the opportunity to sell advantageously exists, might be a very, very serious matter as to the reemployment problem.

Section 16 is deleted. It reads:

> Every existing option to purchase or otherwise acquire Government-owned property shall, before it is consummated, be submitted to the Attorney General for his opinion as to its validity.
>
> Where an option is invalid or not validly exercised, the property concerned shall be disposed of in accordance with the applicable provisions of this Act.

We felt that since these options have been given and presumably the agencies would have conferred with the Attorney General at the time they were given, it seems to us that the Government is morally bound to recognize those options.

Senator HILL. Let me ask this question as to the options: You perhaps have an idea of how much these options represent in terms of money, approximately?

Mr. CLAYTON. They represent the bulk of the investment by the Government, I think, Senator Hill. There are certain plants, synthetic-rubber plants, aluminum plants, and magnesium plants, which do not carry the options. Practically all the other plants carry the options, but I would like to say that, according to the best opinion, very few of the options will be exercised because of the high cost of construction of the plants.

Section 17 relates to "stock piling."

Senator O'MAHONEY. Is this matter covered in the House bill?

Mr. CLAYTON. No, sir.

Senator O'MAHONEY. It was eliminated thereto?

Mr. CLAYTON. It was never there, I believe, Senator O'Mahoney.

The CHAIRMAN. Don't you think it ought to be in there?

Mr. CLAYTON. No; we do not think so, and I will give you my reasons.

To begin with, this freezes all minerals, strategic minerals and metals.

The CHAIRMAN. Which we have mined and stored at the present time.

Mr. CLAYTON. That the Government may have, and it says that it does it for the use in this war and another war. Of course, so far as this war is concerned, the Army and the Navy will not declare those stock piles as surplus unless they are no longer needed in this war. So I think it must be considered as a provision for future security.

We think it is unwise to handle the matter in that way because it freezes all those stocks, regardless of the quantity and regardless of whether that amount of each metal or each mineral may be considered sufficient by the Army and Navy for future security or may be considered too much.

An example is copper, of which it is expected that at the end of the war we may have 2,000,000, possibly 2½ million, tons of surplus copper. This would freeze that completely, and I think that the War Department and the Navy would agree they would require no such amount of copper.

The CHAIRMAN. How many tons of copper have we used in the present war?

Mr. CLAYTON. The United Nations are using about 3,000,000 tons a year.

The CHAIRMAN. A year; and we are going to have a surplus of how much?

Mr. CLAYTON. Two to two and a half million tons.

The CHAIRMAN. If we get into another war right after this war we will use the surplus up within a year.

I want to prepare for this other war that may come on.

Mr. CLAYTON. I am not competent to say how much we should have, but my point is simply this, that this freezes all the strategic minerals and metals, regardless of the amount. It may be in the opinion of the people who can speak with authority on this subject, of one thing they may have entirely too little, and of another they may have entirely too much. So I think the matter of stock-piling for future security is such an important matter that it should be dealt with in separate legislation and with greater consideration than the subject could possibly have had.

Senator O'MAHONEY. Have you had the act of June 7, 1939, examined and interpreted in connection with this?

Mr. CLAYTON. I do not know.

Senator O'MAHONEY. As I glance over the act and recall the act, it seems to me that the War and Navy Departments would not have any

power to declare strategic metals and mineral surpluses because that is a declaration of Congress of policy of acquiring such stock piles, and I do not think it is terminable.

Senator REVERCOMB. It would be superseded by this act?

Senator O'MAHONEY. It would be superseded if we put something in.

Senator HILL. The chairman of the subcommittee worked for months on that act.

Senator JOHNSON. I worked on the subcommittee.

Senator O'MAHONEY. It may be proper to read the first section of the act because it is a declaration of policy. Public Law 117 of the Seventy-sixth Congress and it says:

> * * * That the natural resources of the United States in certain strategic and critical materials be deficient or insufficiently developed to supply the industrial, military, and naval needs of the country for common defense, it is the policy of the Congress and the purpose and intent of this act to provide for the acquisition of stocks of these materials and to encourage the development of mines and the deposits of these materials within the United States and thereby decrease and prevent, wherever possible, a dangerous and costly dependence of the United States upon foreign nations for supplies of these materials in times of national emergency.

Now, under that act I doubt if the War and Navy Departments could declare any of these materials surpluses.

Mr. CLAYTON. Senator O'Mahoney, I perhaps was in error in indicating that they could.

The surpluses of those materials are not in fact in the hands of the War and Navy Departments. They largely are in the hands of the Metals Reserve Company, which is a subsidiary of the Reconstruction Finance Corporation, and I understand that this bill gives any Government agency, which is in control of any Government property, the right to declare it surplus if it is no longer needed for its functions and responsibilities.

Senator O'MAHONEY. Doesn't it provide in all the bills—unless otherwise provided by law?

Mr. CLAYTON. That may be. I thought the bill also says that any other laws in conflict are repealed.

Senator JOHNSON. The very question Senator Thomas asked a while ago was directed to this.

Senator O'MAHONEY. In the face of a specific declaration by law of a policy to acquire stock piles of strategic and critical minerals, I am inclined to doubt that this bill could be interpreted as an upsetting of that policy, but I think the bill ought to be clear that it does not upset that policy.

Mr. CLAYTON. Of course, Senator O'Mahoney, if under that bill these stocks of strategic and critical minerals and metals are not susceptible of being declared as surplus but must be kept by the procuring agency as a part of its functions and responsibilities under that bill or any other bill, then they cannot be declared as surpluses.

Senator O'MAHONEY. I think we ought to make that clear. That was the purpose of that section, to be sure that these stock piles of which we were so deficient at the outbreak of the war, should not now be squandered or disposed of under the Surplus Property Act.

Mr. CLAYTON. Senator O'Mahoney, of course, to begin with, I think that the owning agency, if it felt this material should not be declared surplus, would not so declare it and it would not come under this bill until it was so declared.

Senator JOHNSON. They would not dispose of it if they did not make it surplus and so we would be satisfied with that.

Mr. CLAYTON. They would not declare it surplus until it really was surplus to their functions and responsibilities under the law.

But my principal point is that I do not think just to say that whatever we may have of this and that and the other at the end of the war we will freeze in a blanket way is a very intelligent or considered way of dealing with the stock-piling problem for future security.

Senator O'MAHONEY. You are not recommending to the committee that the Administrator under this act will have the authority to dispose of strategic and critical minerals; you are not recommending that, are you?

Mr. CLAYTON. No.

Senator O'MAHONEY. You are just arguing about the desirability of a freeze?

Mr. CLAYTON. That is right. I think it is unwise to freeze in a blanket way like this whatever we may have in this category without knowing what we have got or what we may have.

I think it would be better, and I think there certainly will be time to do it, to consider this subject separately and provide for a stock pile of these strategic and critical metals and minerals along the line of some carefully thought-out plan.

Senator O'MAHONEY. I think the disposition of the members of this committee would be to make certain that whatever bill we recommend shall not be susceptible of being interpreted as to allow the Administrator to dispose of these materials. You see, the United States has stripped itself almost, in many instances, of its natural resources in order to fight this war. Through the operation of lend-lease, for example, we have poured out mineral oil and we are going to need a lot of oil and a lot of other minerals in the reconversion period.

These natural resources, many of which are on the strategic and critical list, are not obtainable in the United States and should not under any circumstances be subject to disposition by the Administrator, it seems to me.

Senator JOHNSON. S. 2045, if I may be pardoned for mentioning it, places a stop there on the disposal of these strategic and critical materials and ties it up to an act of Congress.

Senator O'MAHONEY. That, I think, is a very sound principle.

Mr. CLAYTON. I would like to add this word, that it may be that some of these stock piles, largely things which we import almost entirely from abroad, as for example, tungsten, might be critically needed immediately for reconversion of war production to civilian production so that a blanket freeze, I think, is unwise.

Senator CHANDLER. Would you declare a blanket freeze on anything except surplus property?

Mr. CLAYTON. You mean by this provision?

This means surpluses to the Government agency, not surplus for the whole civilian economy.

Senator HILL. In other words, if it were not declared surpluses, it would not be available to the civilian economy. If you needed this tungsten for the reconversion of private industry it would have to be declared a surplus by the Government and sold as a surplus property.

Senator JOHNSON. The Government closed tungsten mines in Colorado 6 months ago because they did not need any more. They can open them up tomorrow if they want to.

Mr. CLAYTON. Section 18 on page 25, we have changed to 15.

The only change on page 26 or 27 is at the bottom of page 27 and the top of 28:

(d) The Administrator may authorize any disposal agency to dispose of any materials or equipment related to any surplus plant covered by subsection (a) of this section, if such materials and equipment are not necessary for the operation of the plant in the manner for which it is designed.

(e) This section shall not apply to any Government-owned equipment, structure, or other property operated as an integral part of a privately owned plant and not capable of economic operation as a separate and independent unit.

That refers to the so-called scrambled facilities.

Now we come to the agricultural lands.

You will note that we have stricken "heirs" out of the whole section 19, which we now call section 16.

That, Mr. Chairman, is largely a matter of administration. Some of you gentlemen are lawyers, and I think you must know the great difficulty that we might face in having to trace heirs and find out who were the heirs and make sure we have found them all. It would be extremely difficult.

Senator REVERCOMB. You give notice to heirs, even unknown heirs?

Mr. CLAYTON. Then when they come forward you have to identify them and make sure that they are what they represent themselves to be. I do not want to labor the point; it is just a question of administration.

Then, we changed from 90 days to 60 days. It does seem that 60 days would be a sufficient time within which to give a former owner time to make up his mind as to whether he wanted to reacquire the land.

Senator JOHNSON. Would the former owner have any opportunity to know that the Government wanted to sell it?

Mr. CLAYTON. Notice is given.

We already have experience in that, Senator Johnson, and we send them a registered letter to their last known address, return receipt requested.

Senator REVERCOMB. In disposal of land, regardless of any law that Congress would pass, as to the method of disposal and to the notices of the rights given an heir, you would have to comply with the State laws, wouldn't you?

Mr. CLAYTON. I imagine so.

Senator CHANDLER. Why should you take from the Administrator the right to extend the period, if the extension of the period is necessary in order to facilitate the sale of the lands?

Mr. CLAYTON. Senator Chandler, it seemed to us 60 days was enough for the parties to make up their minds and we think, particularly with these lands, that it is important to get them out of Government hands and back on the tax rolls and into production as soon as possible, if for no other reason, from the point of view of trying to arrest inflation in lands. If we can get these lands disposed of it would help what seems to be a very great demand for agricultural lands. We want to shorten as much as possible the time within which we have to hold up their disposition.

Senator CHANDLER. You could still do that, but it would still give you the right to extend it if it appears such extension is necessary. You are taking away something that might be helpful to you.

Mr. CLAYTON. I will not labor the point. If you gentlemen want to keep it we will not object.

Senator JOHNSON. I would like to ask Mr. Clayton a question. Would you have any serious objection to transferring this whole responsibility to the Interior Department, where they have agencies already set up?

I have been told, I do not know whether it is true or not, that already very large organizations have been set up by you or by the R. F. C., or by someone, to dispose of these lands.

Now, would you have any objection to transferring this whole problem to the Secretary of the Interior?

Mr. CLAYTON. I think I would, Senator Johnson, and I would like to take a moment to explain our procedure with reference to the selection of a disposal agency for these lands.

The Executive order setting up our agency leaves to the discretion of the Administrator the selection of a disposal agency for lands other than industrial property, the latter having been assigned to the Reconstruction Finance Corporation.

We appointed a committee to consider the whole general problem of disposal of lands. Col. J. J. O'Brien, Chief of the Real Estate Section of the War Department, was made chairman of that committee because it was under his direction that practically all of these lands were acquired. There were representatives on this committee of all the interested governmental agencies. One of the first jobs we gave the committee was to study which was the agency of government best qualified to dispose of these lands and to make their recommendations to us.

We received their recommendation but they could not agree upon a disposal agency. There were proponents for the Reconstruction Finance Corporation and proponents for the Public Buildings Administration, those two agencies were recommended in the report. The reasons for each were given in the report and the decision as to which agency should be selected was left to the Administrator.

I studied the matter and selected the Reconstruction Finance Corporation for several reasons, but the principal ones are as follows:

To begin with, we thought it was good administration to limit the number of disposal agencies to a minimum, and I think that is obvious.

The next thing was that the Reconstruction Finance Corporation was already the disposal agency for industrial real property, and much of these lands was acquired in connection with the building of these plants so they already had those plants and the surrounding lands to dispose of. The Reconstruction Finance Corporation has already started to organize for this job.

They have not, however, set up a big organization and do not intend to do so. They have been fortunate in securing the services of Colonel O'Bryne, who was Colonel O'Brien's assistant in the acquisition of this property, and he has been in the real-estate business for many years, and I think is a very competent man.

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He has been put in charge of it and is proceeding actively to get ready to dispose of it. I think they are going to make a good job of it.

The CHAIRMAN. Mr. Clayton, it is now 1 o'clock, and I see it is going to take you some time before you will finish. We have here a gentleman from the War Department who would like to be heard for about 10 minutes.

If it is agreeable to the committee we will adjourn until 2 o'clock.

(Whereupon, at 1 p. m., the committee adjourned to 2 p. m. of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 2 p. m.)

Senator JOHNSON. The committee will come to order.

Mr. Clayton, will you proceed?

STATEMENT OF HON. W. L. CLAYTON—Resumed

Mr. CLAYTON. Mr. Chairman, we had got down, I think, to page 28. If you don't mind, I would like to ask Colonel Bowie to call attention to the amendments that were suggested in the remainder of the bill, because I lost my glasses, and it is a little bit of a strain for me to read without them.

Senator JOHNSON. Go right ahead, Colonel.

Colonel BOWIE. I believe that we broke off in the middle of the amendments with respect to agricultural lands. We discussed the amendments with respect to the elimination of the heirs. The next is section C, on page 29, providing for the acquisition of lands by tenants.

Senator CHANDLER. Why did you propose to cut that out?

Mr. CLAYTON. It seemed to us, Senator, that it was enough to provide that the former owner of the land or his heirs should have the right to reacquire it at the price at which they sold it, without going to the extent of including tenants.

That just adds to the difficulties and the burden of it and the delays, probably.

Senator CHANDLER. I don't think that is very important. We keep talking about delay. You understand, the fellows who represent agriculture very strongly ask for that.

Senator Austin, is that your understanding?

Senator AUSTIN. I am not clear that they are very eager about that. That is going down the line a good ways.

Senator CHANDLER. I think they are.

Senator AUSTIN. The truth is I have no note against that indicating it.

Senator JOHNSON. I am wondering about a tenant. Is that the most recent tenant, or will you take them in order; four, five, six, seven, and will you have to take them in order? Just what about it?

Colonel BOWIE. This section provides it is the tenant at the time of acquisition of the land by the United States. It might be very difficult for the Administrator to determine that, in view of the fact that he presumably would not be able to locate the former owner. Then he would probably have the difficulty of attempting to establish whether or not the man was ever a tenant.

Senator JOHNSON. And if there were several tenants the land would have to be split up?

Senator CHANDLER. Unless I change my mind, I am going to insist on restoring that.

Mr. CLAYTON. Of course, Senator Chandler, if there were a piece of land of 300 acres with 3 or 4 tenants it would be necessary to split the land up.

Senator CHANDLER. I don't mind that.

Colonel BOWIE. One very minor change should be noted on the copy which is a printing error, at the top of page 29, line 4, the word "such" is struck out. That is a mistake. "Such" should stand and the word "and" above it should be struck out.

The next change, except for minor ones in numbering, is page 30, lines 13 to 15. That is merely a change of language because of the striking out of the option provision in section 16, and it is necessary to strike the reference to it and simply state that "nothing in this section shall be construed to nullify any valid option."

Old section 20 has been renumbered as section 17, and in line 18 the words "so far as practicable" have been added.

That section deals with the disposal of agricultural lands which are not disposed as to the former owner or his heirs. The phrase "so far as practicable" was inserted to indicate that in carrying out the policy of dividing it up into family-size units he was not, of course, to carry it beyond the practicable point.

The next change is on page 31, lines 8 to 14. The words

> in order to guard against speculation and inflated land values, the Administrator in fixing the price to be charged for lands sold pursuant to this section may consider the appraised value of the land when it was acquired by the Government, the future earning capacity of the property minus the cost of necessary improvement, and the average of current sales for similar property—

were struck out.

Mr. CLAYTON. I spoke on that yesterday, Mr. Chairman.

I feel this puts a very great difficulty of administration on the Administrator, and he will not be able to exercise it satisfactorily for the reason I gave yesterday, that if he is under the necessity of selling Government property at less than its market value he has the very difficult decision to make as to which citizens of the country shall receive that Government largess, and I think it is almost an impossible decision to make.

Senator MURRAY. If the appraisal of the land is made, wouldn't that be sufficient to protect him? If the value were fixed by experts, wouldn't that be sufficient protection for you?

The idea of it is to prevent inflation in land values, and to get people to buy land that they can't otherwise own.

If they go into debt in acquiring it, and pay a big price, they will never be able to get out of debt.

The Farm Security Administration has handled that problem successfully. On a lot of property in Montana, farmers were driven off the dry land and put on irrigated tracts. They had to fix the value of that and pull it down. It has been a very valuable thing for the State.

Mr. CLAYTON. Senator Murray, as I understand it, the Farm Security Administration sells lands for practically nothing down and 40 years in which to pay for it. I am sure that is a very useful program.

And to the extent that Congress will provide, it will be carried on, but I conceive that in the case of these lands, we should endeavor to dispose of these lands for value.

In other words, we should sell them with a sufficient down payment that the land will stay sold. I don't think the policy outlined here of trying to put the sale value on the basis of what somebody might think the future earning capacity of the land is, is a way to avoid inflation. I think that is in the nature of encouraging inflation and speculation, for this reason. If a piece of land will bring $200 an acre in the market and you sell it for $150 to somebody because you think that is all the earning power it has, what is going to keep him from selling it to somebody else for $175 and pocketing the $25, and then the last buyer may sell it for $200 and put that $25 in his pocket.

Thus, you have set up a turn-over in land at increasing prices which, according to my idea, is an encouragement of inflation.

Senator MURRAY. That can be controlled, as I understand it, by proper sales agreement. Of course, that is a matter of policy and Congress will determine the policy and not the Administrator.

It is very desirable for this country that we encourage the development and expansion of these small family-sized farms.

Mr. CLAYTON. We are in accord with that. That is our policy. We have issued a regulation on it in which we say the lands should be disposed of in that way, small family-sized plots. But we think they ought to be sold for their market value.

Senator HILL. Mr. Clayton, I notice the word is "may." It doesn't say "you shall" consider these things. Would that preclude you from selling for market value and yet at the same time you have the power in here if you didn't think it was a wise thing? It doesn't say "you shall"; it says "you may."

Although that section uses the word "may," do you consider it to be more or less mandatory on the Administrator?

Mr. CLAYTON. I think it is almost axiomatic that where Congress uses "may" instead of "shall," if there are pressure groups that are interested in having it construed as "shall" they can bring enough pressure to have it so construed and have it a mandatory instead of a discretionary provision.

Senator AUSTIN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Go ahead.

Senator AUSTIN. Would the principal objection you have to this be entirely satisfied by striking out the words in line 9 reading "the future earning capacity of the property minus the cost of necessary improvements"?

Mr. CLAYTON. Then I think, Senator Austin, that the words "in order to guard against speculation and inflated land values" should be stricken out also.

We think the land ought to be sold at about its appraised value when the appraisal is done by a competent, independent, unbiased, appraiser.

Senator HILL. You mean appraised as of the time of sale?

Mr. CLAYTON. Yes, sir; as of the time of sale.

The future value of the land depends upon the future market price of the products of land, in large measure, and no man living is smart enough to know what cotton and wheat and corn and other things will sell for 5 years from now.

Senator HILL. You mean not even Will Clayton can tell the price of cotton?

Mr. CLAYTON. I would be one of the last ones to try to tell.

Senator CHANDLER. It is not your idea to use the Farm Security Administration as one of the disposal agencies?

Mr. CLAYTON. It is not. That is a highly controversial subject, Senator Chandler, as you perhaps know, and it is highly controversial within agricultural spheres. It would not be our intention to use the Farm Security Administration because their program, with which I have no quarrel whatever, is one of selling land to very poor people with very little down and 40 years in which to pay for it.

Senator CHANDLER. That is what I want. I want to get this surplus land in the hands of as many people as we can at as reasonable terms as the Government can fix, and it seems to me we do have a sharp difference of opinion as to what we are going to do with these surplus lands.

My idea is that we are not anxious to have the Government get the lands sold hurriedly and get the money in the Treasury. I want a wide distribution of the surplus farm lands to the widest number of people possible, the returning soldier who can demonstrate in some way, with the help of the Government, that they can use these small farms to make a living on and have, if not immediate prospective ownership, over the period of years, the prospect of definite ownership.

I think it is better security for the country to have our people on their own farms.

Now, we have a fine chance to accomplish that in some degree, at least, because the Government has surplus farm property to be disposed of.

Senator HILL. We have not only been talking of it on a moderate scale but we have been doing it through Farm Security Administration.

Senator CHANDLER. Some people think we ought not to continue to do that. I feel like we ought to do it, and ought to do it with this, if we can.

Mr. CLAYTON. Of course, that is a matter for Congress to decide, and I think that possibly, just as a rough estimate, there may be $1,000,000,000 value in these lands, which will eventually be declared surplus.

It was my idea to try to dispose of the land in such way to get the money back into the Treasury. If Congress, having that in mind, would have passed a law appropriating that much money to the Farm Security Administration for the purchase of lands and the carrying out of their program, it would be logical to use these lands for that purpose, but I think we ought to consider it on that basis, not on the basis that they are surplus lands.

Senator CHANDLER. Just because Congress has not done it otherwise isn't any sign they don't want to do it.

The Farm Security Administration has been an experiment and they wanted to see how effective it would be. That report that we had from Mr. Smith yesterday seemed to indicate they had been doing a satisfactory job.

Senator HILL. They have done a remarkable job on this sort of thing.

Senator CHANDLER. Why shouldn't it be continued under these circumstances? The circumstances seem to be favorable.

Senator MURRAY. Mr. Clayton, you would have the authority to limit the total acreage and number of farms that may be sold to any one person?

Mr. CLAYTON. Yes, sir.

Senator MURRAY. You could sell one person two or three farms or one farm of 160 or 2,000 or 3,000 acres, according to what you felt would be the best way to dispose of it for the best price.

Mr. CLAYTON. That was, of course, in the bill in the beginning, Senator Murray.

Senator MURRAY. I don't care when it was in the bill. I am talking about the effect of this language. The effect of this language would give you the power to determine the size of the farm you were going to sell to one person, and you would have the power to sell one person three or four farms.

Out in California they are almost having warfare over that proposition, and it seems to me it should be the policy of the Government to stop this commercial farming, the idea of concentrating farm lands in the hands of corporations who conduct them as commercial enterprises instead of expanding our American system of family-sized farms.

Then, another thing, the determination of the price by you shall be final and conclusive. Under this you could fix a very low price or a very high price.

Mr. CLAYTON. That is true of all these surpluses, Senator Murray. We could only do it within the objectives and policies named in the act, and, as you recall, one of them is that we shall obtain for the Government the full value of these properties consistent with the other provisions of the act.

Senator MURRAY. But we are trying to establish a policy here which will permit the widest distribution of this surplus land in the hands of poor people in this country who find it difficult to live in the big cities. We want to decentralize our country and put these people on a farm where they can live honestly and decently, instead of living in the slums of the big cities. I think that is very desirable.

Mr. CLAYTON. I think it is too, sir. If I may, I would like to read a short paragraph from the Colmer bill, page 39. It says:

> Except for the above provisions, such land shall be sold when practicable in family-size parcels, no more than one such parcel being sold to any one family or individual, and such sale being made, insofar as possible, to persons who expect to live upon and cultivate such land. This subsection shall apply only to land acquired after July 1, 1940.

I think that expresses your view, Senator Murray.

Senator MURRAY. You think that the House bill, then, so far as this feature of the proposition is concerned, is more desirable?

Mr. CLAYTON. I would prefer that provision to the one we have in S. 2065.

Senator MURRAY. What do you think of the House bill as a whole?

Mr. CLAYTON. I think it is an excellent bill. My committee wrote practically all of it, the legislative committee of which I was chairman. As I stated yesterday, we labored over it for nearly 2 weeks.

Senator MURRAY. Who was the committee composed of?

Mr. CLAYTON. Representatives of all agencies of Government who were interested in this question, the War Department, Navy Department, Maritime Commission, Department of Justice, R. F. C., Procurement Division of the Treasury, the War Food Administration, the Smaller War Plants Corporation. There were 11 or 12.

Senator O'MAHONEY. Yesterday you were going to furnish a list.

Mr. CLAYTON. It will be furnished, Senator. But there are 11 or 12 of the direct agencies of the Government.

(The list of agencies referred to follows:)

Surplus War Property Administration Committee to Prepare Legislative Recommendations

Agency	Committee representatives	Witness testifying June 20, 1944
War Department	Col. D. N. Hauseman. Mr. Wm. L. Marbury. Col. Robert R. Bowie. Lt. Col. H. C. Rose. Maj. C. M. Euwer.	Maj. Gen. Lucius D. Clay.
Smaller War Plants	Mr. David L. Podell. Mr. Leonard Ferris (alternate).	Mr. Maury Maverick.
Navy Department	Mr. H. S. Hensel. Mr. W. J. Kenney. Mr. Robert H. Hopkins. Capt. Lewis L. Strauss.	Capt. Lewis L. Strauss.
Reconstruction Finance Corporation	Mr. John Goodloe. Mr. Hans Klagsbrunn.	Mr. Hans Klagsbrunn.
Justice Department	Mr. Hugh B. Cox.	Mr. Hugh B. Cox.
War Production Board	Mr. Alexander B. Hawes. Mr. Kenneth McGregor (alternate).	Mr. Alexander B. Hawes.
Foreign Economic Administration	Mr. Robert Leland.	Mr. Robert Leland.
U. S. Maritime Commission	Lt. Comdr. W. S. Brown.	(1)
Treasury Department	Mr. Thomas J. Lynch. Mr. T. M. Davis.	Mr. E. L. Olrich.
War Food Administration	Mr. Wilson Cowen.	(1)
Surplus War Property Administration	Mr. W. L. Clayton. Mr. Stuart N. Scott.	Mr. W. L. Clayton. Mr. Wayne Jackson, State Department. Mr. Russell Adams, Civil Aeronautics Board. Maj. Gen. Philip B. Fleming, Federal Works Agency.

[1] Indicated they did not propose to testify, but in accord with bill.

Mr. John Hancock sat with the committee on several occasions.

Senator MURRAY. But none are directly interested in the question we are talking about?

Mr. CLAYTON. The War Food Administration was represented, and all those agencies, I think, are interested in the whole general surplus-property-disposal question.

Senator MURRAY. But not this particular question of policy.

Senator CHANDLER. If Congress gave you no specific direction, do I understand that you would favor just selling this property to the best purchaser and getting the money back in the Treasury and get through with it at the earliest possible moment?

Mr. CLAYTON. Selling the agricultural lands?

Senator CHANDLER. Yes.

Mr. CLAYTON. Selling in family-sized parcels to people who are going to live on it, and not selling more than one parcel to the same party. That is in our regulations that we issued.

Senator CHANDLER. You approve of that?

Mr. CLAYTON. We issued regulations to that effect.

Senator MURRAY. But in the language of this provision which you are seeking to have us accept, you provide that you may limit the total acreage and number of farms that may be sold to any one person.

Mr. CLAYTON. Senator Murray, we were trying to change the bill as little as posible.

Senator MURRAY. I don't think that is fair. What you should have done is to strike this all out and substitute for it. You have given us a rotten bill.

Mr. CLAYTON. I agree with you that the provisions in the House bill relating to this matter are preferable.

Senator MURRAY. You have put us in a bad light before the public.

Mr. CLAYTON. I am sorry.

All of section 17 on page 30, the new section, is covered by one short section in the House bill.

Senator JOHNSON. Give us the reference pages.

Mr. CLAYTON. Pages 30 and 31 of the August 17 print.

Senator CHANDLER. Where is it in the Colmer bill?

Mr. CLAYTON. In the Colmer bill it is page 39. That whole section 17 is covered by one short section of the Colmer bill which reads as follows:

> In disposing of surplus agricultural lands in the United States, former owners shall be given a reasonable time, to be fixed by the Administrator, in which to repurchase their original tracts at a price not exceeding that paid them by the Government except where the value of such tract has been increased by the Government.

Senator MURRAY. Where it has been decreased by the Government's use of the land, wouldn't that be taken into consideration?

Mr. CLAYTON. It says "not exceeding." Then [continuing]:

> Except for the above provisions, such land shall be sold when practicable in family size parcels, no more than one such parcel being sold to any one family or individual, and such sale being made insofar as possible to persons who expect to live upon and cultivate such land. This subsection shall apply only to land acquired after July 1, 1940.

I will be glad to suggest that that section which I have just read from the Colmer bill be substituted for section 17 on pages 30 and 31 of the August 17 reprint of S. 2065.

Senator CHANDLER. That is more like it.

Mr. CLAYTON. Yes.

Senator CHANDLER. We can amend that so as to take care of the tenants and heirs and then we will have it.

Senator O'MAHONEY. Mr. Chairman, may I say at this point that my silence should not be interpreted to indicate acquiescence in the language of the bill before us, or that now suggested by Mr. Clayton? I am strongly of the opinion, and the evidence only strengthens my opinion, that we should undertake to place the responsibility for disposing of these lands in the hands of the Interior Department, which has been experienced in that matter during a long period of time, for a long period of years, and that the Interior Department should classify the lands, and such lands that are suitable for family sized farms

should be disposed of under the terms of the Bankhead-Jones Act, and other lands should be disposed of under the homestead laws, and veterans should have a preference after the former owners have been given the opportunity to exercise their options.

I think it is unnecessary and unwise to set up in the new administration another agency to handle the disposition of real estate when we already have one thoroughly equipped to do it. We already have two, as a matter of fact.

The new disposal agency which Mr. Clayton describes would undertake to duplicate the functions of the Farm Security Administration under the Bankhead-Jones Act and also duplicate the functions of the Interior Department under the public land laws, and that seems to me to be unnecessary.

Senator JOHNSON. I want to join Senator O'Mahoney in what he just said.

Senator THOMAS. I think there, Mr. Clayton, that those of us who come from Western States will all have this same question. The provision, as you have read it from the House bill, it seems to me would bar the ordinary homesteader from acquiring any of this land because he can acquire land that he doesn't live on, but your requirement would make him live on the land. Can you explain the relation of this suggestion to the ordinary homesteader?

Mr. CLAYTON. It says:

> Except for the above provisions, such land shall be sold, when practicable, in family-sized parcels, no more than one such parcel being sold to any one family or individual, and such sale being made insofar as possible to persons who expect to live upon and cultivate such land.

Senator THOMAS. You don't think it is in conflict with the Homestead Act as we have it now?

Mr. CLAYTON. I am not familiar with the Homestead Act, but I wouldn't think so.

Obviously, we could not always dispose of this land to people who would go and live upon it and cultivate it, but I think that the idea here is to guard against absentee ownership and operation of farms.

I think that is the general idea, to guard against the sale of these lands to large land companies or people who would live in the city and rent the land to tenants who would cultivate it.

I think that is the general idea back of it, and with that philosophy we are in accord.

Colonel BOWIE. The only other changes on that page are simply to renumber the section and references. On page 32 the section numbered 22 has been changed to 19, and in line 6, the words "or gross negligence" have been struck out. The fact is that no Government officer or employee of the Government should be liable with respect to such disposition under this act except for his own fraud.

Mr. CLAYTON. The reason for that is that gross negligence could only arise in respect of the sale of property, it seems to us in selling it too cheap. That is largely a matter of judgment, and it seemed to us that language should be stricken so as not to give Government officers engaged in selling this property a feeling that they might be attacked if somebody felt later on that they had sold property for less than it was worth, which, as I see it, is largely a matter of opinion.

They still remain liable for fraud, and this language conforms to the House bill.

Colonel BOWIE. The only changes on page 33 are renumbering; on page 34, line 7, the insertion of the words "and (e)" in order to cover the addition of a new subsection on page 35, which deals with two points, and which reads as follows:

Where property is transferred or disposed of under this act for any consideration other than legal tender of the United States, the disposal agency shall convert such consideration into legal tender of the United States as rapidly as it deems practicable, and, pending such conversion, shall retain, preserve, and manage such consideration in such manner as it deems appropriate. Where the disposal agency acquires or retains any mortgage, lien, or other security in connection with any transfer or disposition of property under this Act, the dsposal agency shall retain, preserve, and manage such security and may enforce and settle any right of the Government with respect thereto in such manner and upon such terms as it deems in the best interest of the Government. The Administrator may prescribe regulations to govern the exercise of the authority granted under this subsection.

Mr. CLAYON. That section is the same as in the House bill.

Senator HILL. What do you have in mind there practically, Mr. Clayton, "other than legal tender of the United States"? What sort of a transaction have you in mind particularly?

Mr. CLAYTON. Sales abroad. Sales abroad for foreign exchange and that was the principal thing we had in mind.

Senator CHANDLER. Senator Austin, what about the disposal agency acquiring or retaining a mortgage, lien, or other security in connection with the transfer or other disposition of property?

Senator AUSIN. What do you mean?

Senator CHANDLER. It is going to hold it on terms in such manner as it deems in the best interest of the Government. It is going to assert its right to collect that. Why not the Administrator in the name of the Government?

Senator AUSTIN. If I understand your question, we can authorize a disposal agency.

Senator CHANDLER. You would not have to if you let the Administrator hold it for the benefit of the Government. How far is that going to take you from the standpoint of who is going to enforce mortgage liens in favor of the disposal agency?

Senator AUSTIN. My impression is that the disposal agency would have more familiarity with the property, the persons who have mortgaged it, and those changing conditions that occur during the life of the loan, and would be nearer to the transaction than the Administrator.

Of course, if you made the mortgage run to the Administrator, it seems to me you would still have to provide for the disposal agency to supervise the loan and follow it up.

Senator CHANDLER. That is, he would have to do it anyway.

Senator AUSTIN. Somebody near to the transaction must administer than loan.

Senator CHANDLER. How many disposal agencies are in contemplation?

Senator JOHNSON. The whole scheme under this bill is for the Administrator to sit back and use his judgment, and the disposal agencies are going to dispose of the property. That is the technique of the bill.

Mr. CLAYTON. The disposal agencies administer the sale of the property and they have the organization to attend to it.

As I said this morning, my idea is to keep the surplus war property administration on a very simple basis, a very small staff.

Senator CHANDLER. That is what I thought you said this morning, but it doesn't occur to me it will be that way with the mortgages and disposal of them in the hands of various disposal agencies.

Mr. CLAYTON. It is not necessary that we have many mortgages or liens, except in respect of real property. At present there is only one disposal agency in connection with real property. R. F. C. disposes of real property and they would hold the liens against plants, and so forth.

Senator O'MAHONEY. What is your definition of legal tender as used in this section?

Mr. CLAYTON. I suppose legal tender of the United States means cash dollars.

Senator O'MAHONEY. How many transactions will be for legal tender?

Mr. CLAYTON. Most of them. Practically all consumers goods should be sold for cash, Senator O'Mahoney.

Senator O'MAHONEY. Would the payment be transmitted to you ordinarily by check?

Mr. CLAYTON. Transmitted to the disposal agency.

Senator O'MAHONEY. By check?

Mr. CLAYTON. I suppose so.

Senator O'MAHONEY. Doesn't that raise a technical question because of that language? A sale for check would not be a sale for legal tender.

Senator AUSTIN. The law proposed simply provides that that consideration should be turned into cash as rapidly as is deemed practicable.

Senator O'MAHONEY (reading):

Where property is transferred or disposed of under this act for any consideration other than legal tender of the United States

and so on. That means that a sale for a check does not constitute a sale for legal tender, and, therefore, such sales for checks would fall into the effective area of the rest of the sentence.

Colonel BOWIE. If that is a correct technical interpretation. I feel sure that was not the intention.

Senator O'MAHONEY. It means what the law defines as "legal tender."

Colonel BOWIE. But it is for consideration other than legal tender, meaning a sale for other than dollars.

Senator O'MAHONEY. I think it probably should be cleared up.

Mr. CLAYTON. Other than money. I think that might be better language.

Senator AUSTIN. I have a question, Mr. Clayton.

Mr CLAYTON. Yes, sir.

Senator AUSTIN. Where the consideration is securities, the second sentence requires that those securities be retained by the disposal agency, and that is in conflict with the first sentence providing that they shall, as rapidly as is deemed practicable be converted into money.

Now, if you had Government bonds put up as security, the security would have to be held by the disposal agency wouldn't it, during the life of the loan, and could not be converted into money, according to the first sentence?

Mr. CLAYTON. I think that is technically correct, Senator Austin. Those words "or other security" could, of course, include Government bonds, and, as you say, technically the exact language would prevent conversion into cash.

Senator AUSTIN. Don't you think it is better for you, as Administrator, and better for the public to not have this paragraph in at all, and leave a detail like that to be handled as it is customarily handled?

Senator THOMAS. As I read this, Mr. Chairman, this is an invitation to litigation.

Senator CHANDLER. It is, really.

Mr. CLAYTON. You mean the second paragraph in there?

Senator THOMAS. The whole thing. I follow the thoughts of Senator Austin, except that as I heard it read the first time it looks like open season for crafty lawyers, but I do think where you have disputes and conflicts of any kind, when you set out the way those things can be handled, using words that the ordinary layman can't follow, you are building up for yourself a series of headaches.

Senator CHANDLER. That was my original point. I see no end of trouble. If they are going to hold securities, they should be held by the Administrator and not the various disposal agencies.

Senator THOMAS. If a man has saved his United States bonds, the theory is we hope he will let them go on to redemption time. This suggests changing them into money as soon as possible. I think you can read anything you want to read in this provision. I would not have it in the law if it were my law.

Mr. CLAYTON. You think it is better to leave it out entirely?

Senator THOMAS. Very much better. The practices already established in the R. F. C. and Interior Department are enough of a guide in all of the details, so far as the transfer of money into land or land into money is concerned.

Mr. CLAYTON. The point has been made that the R. F. C. has the general powers of a corporation which ordinary departments of the Government may not have.

And the point has been made with us that if sales are made for something other than money of the United States, that there should be some provision in the law as to who is going to hold the consideration and manage it until it can be converted into money.

Senator THOMAS. That may be all right, but it has the other provisions. I have no objection to the holding, but it is where you detail the way in which the transfers shall be made and how quickly they shall be sold. No one ever thought that the Alien Enemy Custodian would last as long as he did when the office was set up at the end of the last war, and no one knows how long this one is going to last. So I don't think that time is a necessary element in these transactions.

What we want is to serve the people, and surely if you set up an arrangement which is going to make it difficult to accomplish the general purposes, you are going to miss your objective. So I would be very, very thoughtful about this whole thing before you go on.

Senator JOHNSON. Of course, section 21 on page 34 requires the transfer of all proceeds to the Treasury, and it would seem to me that this subsection might very well fit into the new section 21.

Mr. CLAYTON. It is in it.

Colonel BOWIE. It is necssary to have something of this sort in view of the general provision that all proceeds should be paid into the Treasury. This is intended to cover two questions that may arise.

Senator O'MAHONEY. Why don't you make the provision that such securities shall be held by the Administrator instead of by any disposal agency?

Mr. CLAYTON. I think I can answer that. We are trying to keep the administrative features of this act, the actual selling of the property, collecting for it, and so on, out of the hands of the Administrator and in the hands of the disposal agencies which have very large large organizations and personnel, and are trained in the job, so as to keep the Surplus War Property Administration purely a policy-making agency with general supervision and direction, without the necessity of building up a large organization which would be more or less of a duplication to do administrative things.

Senator O'MAHONEY. I can see that. Do you have any agencies in the Government which handle securities in this manner?

Mr. CLAYTON. The R. F. C. of course does, and they are the one agency that would have the greatest occasion to use this. But there will be others, such as the Procurement Division of the Treasury and Maritime Commission in the sale of ships and maritime property.

Senator JOHNSON. Why can't the Treasury handle it? Why can't it be given to the Treasury?

Mr. CLAYTON. The lawyers tell me, Senator Johnson, that when you read this new section 21, "All proceeds from any transfer or disposition of the property shall be deposited and covered into the Treasury," that that can only mean cash.

The Treasury, according to my idea, would not be in position to manage the mortgages and collections and that sort of thing. The people best able to do that, it seems to me, are the people who sold the property, who know the buyers, who know the conditions and the banks involved, and so on.

I would think that that agency would be best able to handle the collection for the property.

Senator O'MAHONEY. Each of such agencies would be required to set up a new division to do this work. You have in the R. F. C. a Government agency already skilled in handling such securities.

Mr. CLAYTON. Yes, sir.

Senator O'MAHONEY. Cash is deposited in the Treasury, and securities go to the R. F. C. to be there administered. Why not turn it over to the R. F. C.?

Mr. CLAYTON. Let us think about it, Senator O'Mahoney. We may want to offer something else or change the language in some way for your consideration when you get into the executive committee.

Senator AUSTIN. I would like to make one suggestion, and that is in that amendment on line 15 you strike out the words "acquires or." Then the second sentence would be in apposition to the first sentence and would be an alternative for the first sentence. You provide for turning into legal tender as rapidly as is deemed practicable in the first sentence.

Now then, if you strike out the words "acquires or," you would state "Where the disposal agency retains any mortgage."

Colonel BOWIE. In that connection, sir, the first sentence was meant to cover the sort of situation where the Government is paid in some other form than money of the United States, such as foreign currency, or, conceivably it might be exchange property.

The second sentence was intended to cover the type of situation where the Government either retains a mortgage on property, or possibly takes a mortgage on other property as security for the transaction.

The first sentence was intended to deal with property or foreign currency which is acquired as a payment. The second sentence was intended to cover interests which are acquired as security.

It was thought it was desirable to convert payments which are not made in money, into money as rapidly as possible so the Government would not be speculating in the thing in which it was paid.

The second sentence was to permit it to be enforced in the manner in which it was taken.

Senator AUSTIN. Why don't you say "Where the disposal agency acquires or retains as security any mortgage, lien, or other property"?

Colonel BOWIE. You could do that, or "or any mortgage, lien, or other interest, as security."

Senator AUSTIN. You can do that.

Colonel BOWIE. That would change it to read, "Where the disposal agency acquires or retains any mortgage lien or other interest as security."

Does that meet it, Senator?

Senator AUSTIN. That is all right.

Colonel BOWIE. The next change is page 36, where a new section has been inserted, lines 12 to 17, reading as follows:

> Any Government agency responsible for the care and handling of any property may take such action for the care and handling of such property, and for completion of any semifabricated property, as it deems necessary or desirable to effectuate the objectives and policies of this act.

Mr. CLAYTON. That provision is taken from the House bill and is designed to cover semiprocessed articles which may be received by the Government on termination of contracts.

Senator HILL. You wouldn't want to give the Administrator any power there. I mean, for instance, any Government agency under such rules or regulations as the Administrator may prescribe, or something like that. That is left entirely out of there if you read the section by itself.

Colonel BOWIE. You will find that is picked up at line 25 on page 13, continuing on page 14, lines 1 to 6, which provides:

> When any surplus property is reported to any disposal agency under subsection (a) of this section, the disposal agency shall have the responsibility and authority for the disposition of such property, and for the care and handling of such property pending its disposition in accordance with the policies, standards, methods, and procedures prescribed by the Administrator.

Senator HILL. I see.

Colonel BOWIE. On page 37 there is a typographical error. In line 5, the word "surplus" should be struck out, at the end of the line. In other words, "transfer title or any other interest in property under this act."

That is for the reasons stated in connection with section 12.

Also, the typographical error is changed in line 6. "One" should be "on."

In lines 8 and 9, there have been struck out the words "to which the Administrator shall have assigned such surplus property for disposal," and inserted instead, "authorized to dispose of such property under this act." That is just a technical correction.

On page 38, lines 10 to 14, section 27, the following words have been added:

> Unless extended by law, this act shall expire at the end of 3 years following the date of the cessation of hostilities in the present war, as proclaimed by the President or by concurrent resolution of the two Houses of Congress.

Senator O'MAHONEY. I see an optimist wrote that sentence.

Senator HILL. There is an invitation to extend it by law in there.

Colonel BOWIE. There are renumberings on that page, and then the definition of "Government agency" has been changed to read, in line 24 at the bottom of page 38:

> The term "Government agency" means any executive department or independent agency in the executive branch of the Federal Government, and any corporation wholly owned by the United States, either directly or through one or more corporations.

That is intended to conform it to the language of the House bill.

Senator HILL. I notice you struck out the word "bureau." I thought the idea was to let the people know the bureaucrats would not have anything to do with this bill.

Colonel BOWIE. Likewise, the definition of "owning agency" on page 39, lines 5 to 9, has been revised to read:

> The term "owning agency" means a Government agency having control of property otherwise than solely as a disposal agency.

That is to conform to the House bill and it is technically more accurate.

In line 11 on page 9 in the definition of "disposal agency" the words have been added, "subsection (c) of section 3," so it reads:

> the term "disposal agency" means any Government agency designated under subsection (c) of section 3 of this act to handle the disposition of one or more classes of surplus property.

Again in the interest of clarity and precision.

On page 40, in the definition of "contractor inventory," lines 7 to 10 have been struck out, reading—

> but shall not include any power-driven machinery or equipment or any machinery or equipment subject to a separate contract or contract article specifically governing its use or disposition.

This is also to conform it to the definition in the House bill, and in order to also avoid the elimination of machinery and equipment or power-driven machinery.

Senator HILL. Why was that in there? That is a broad thing. Anything from an automobile to any kind of machine tool is power driven. What was the purpose of putting that in there?

Senator MURRAY. Senator Taft and Senator Stewart brought that language into it. Maybe Mr. Van Tassel can tell us about that.

Mr. VAN TASSEL. That was included in the definition of "contractor inventory" so that these disposals by the owning agencies would not include the disposal of the very valuable machinery and equipment in factories having war contracts.

It was felt those should be disposed of under the general authority of the act, turned over to a disposal agency and handled in that way and not handled as it is expected most of the contractor inventories will be handled.

Senator CHANDLER. That may be all right, but it doesn't sound right. Are any owning agencies going also to be disposal agencies?

Mr. CLAYTON. Senator Chandler, the owning agencies do act as disposal agencies in respect of contract termination property for the 60-day period as provided in the contract settlement bill, in which the Government has the disposal of that property when it remains in the custody of the contractor.

If at the end of the 60-day period the Government has been unable to dispose of it, the property can be removed by the contractor, as you know, at the Government's risk and expense.

It will be impossible, we think, to transfer or to inventory that property by the owning agency, to a disposal agency, and get action on it within a 60-day period, so it has been deemed advisable to let the owning agencies dispose of this contract termination property within that time. After that if it is not disposed of while it is in the custody of the contractor, then whatever portions are not needed by the owning agency must be declared as surplus to the disposal agency. But this language as it was in the bill is so broad that it would cover almost any kind of power-driven machinery. I guess that includes even jigs and dies and things of that kind.

It is very important that the owning agency should have the right to dispose of that during that 60-day period.

Colonel BOWIE. The next and last change is in the elimination of the definition of "disposal or disposition" on page 41. That is a technical change to correspond to the inclusion of the propsed section 4 of express authority to dispose, and makes the definition unnecessary.

Senator O'MAHONEY. Before Mr. Clayton leaves, Mr. Chairman, and in connection with this striking out of lines 7, 8, 9, and 10, on page 40, I want to ask whether there is any provision anywhere else in the bill other than in section 12 (a) for the disposition of contractor inventory?

Colonel BOWIE. 12 (a) and 12 (b), I think, are the only two places.

Senator O'MAHONEY. Why wouldn't it be better to define "contractor inventories" in that section 12, than putting it in the list of definitions at the end. In other words, to spell out just what type of property you want to handle under 12 (a) and 12 (b).

Colonel BOWIE. That would be perfectly feasible. The only purpose was because the definitions were grouped together at the end.

The CHAIRMAN. Are there any other questions, gentlemen, before Mr. Clayton leaves?

Senator O'MAHONEY. Mr. Chairman, may I inquire whether the subcommittee has entered in the record a copy of the Executive order? If it is not in the record, I think it should be.

Senator MURRAY. It has not been introduced, so far as I know.

Senator O'MAHONEY. I suggest it be placed in the record then.

The CHAIRMAN. Very well.

(The order referred to is as follows:)

FEBRUARY 21, 1944.

EXECUTIVE ORDER 9425, ESTABLISHING THE SURPLUS WAR PROPERTY ADMINISTRATION

By virtue of the authority vested in me by the Constitution and statutes of the United States, particularly the First War Powers Act, 1941, as President of the United States and as Commander in Chief of the Army and Navy, it is hereby ordered as follows:

1. There is hereby established in the Office of War Mobilization, the Surplus War Property Administration (hereinafter referred to as the "Administration"), the powers and functions of which, subject to the general supervision of the Director of War Mobilization, shall be exercised by a Surplus War Property Administrator (hereinafter referred to as the "Administrator"), to be appointed by the Director of War Mobilization.

2. With the assistance of a Surplus War Property Policy Board, composed of a representative from each of the following: State Department, Treasury Department, War Department, Navy Department, Justice Department, Reconstruction Finance Corporation, Smaller War Plants Corporation, United States Maritime Commission, War Production Board, Bureau of the Budget, War Food Administration, Federal Works Agency, Civil Aeronautics Board, and the Foreign Economic Administration, it shall be the function of the Administration, to the full extent that such matters are provided for or permitted by law:

(a) To have general supervision and direction of the handling and disposition of surplus war property.

(b) To have general supervision and direction of the transfer of any surplus war property in the possession of any Government agency to any other Government agency whenever in the judgment of the Administration such transfer is appropriate.

(c) Unless otherwise directed by the Director or War Mobilization, to assign, so far as it is deemed feasible by the Administration, surplus war property for disposition, as follows: consumer goods to the Procurement Division of the Department of the Treasury; capital and producers' goods, including plants, equipment, materials, scrap and other industrial property, to a subsidiary of the Reconstruction Finance Corporation, created pursuant to section 5d (3) of the Reconstruction Finance Act, as amended; ships and maritime property to the United States Maritime Commission; and food to the War Food Administration; provided that surplus war property to be disposed of outside the United States, unless otherwise directed by the Director of War Mobilization, shall be assigned, so far as it is deemed feasible by the Administration, to the Foreign Economic Administration.

3. All functions, powers, and duties relating to the transfer or disposition of surplus war property, heretofore conferred by law on any Government agency may, to the extent necessary to carry out the provisions of this order, be exercised also by the Administration.

4. The Administrator may prescribe regulations and issue directions necessary to effectuate the purposes of this order; and no Government agency shall transfer or dispose of surplus war property in contravention thereof. Each Government agency shall submit such information and reports with respect to surplus war property and in such form and at such times as the Administrator shall direct. When requested by the Administration, a Government agency shall execute such documents for the transfer of title or for any other purpose or take such steps as the Administration shall determine to be necessary or proper to transfer or dispose of surplus war property or otherwise to carry out the provisions of this order.

5. The Administrator may perform the functions and exercise the powers, authority, and discretion conferred on the Administration by this order by such officials and such agencies and in such manner as the Administrator, subject to the provisions of this order, may determine. In carrying out the purposes of this order, the Administration may utilize the services of any other Government agency. The Administration, within the limit of funds which may be made available, may employ necessary personnel and make provision for supplies, facilities, and services necessary to discharge the responsibilities of the Administration.

6. As used in this order:

(a) "Government agency" means any executive department, independent establishment, agency, commission, board, bureau, division, administration, office, service, independent regulatory commission or board, and any government-owned or government-controlled corporation.

(b) "Surplus War Property" means any property, real or personal, including but not limited to plants, facilities, equipment, machines, accessories, parts, assemblies, products, commodities, materials, and supplies in the possession of

or controlled by any Government agency, whether new or used, in use or in storage, which are in excess of the needs of such agency or are not required for the performance of the duties and functions of such agency and which are determined, subject to the authority of the Office of War Mobilization, to be surplus by such agency.

7. All prior Executive Orders, insofar as they are in conflict herewith, are amended accordingly.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *February 19, 1944.*

Senator O'MAHONEY. May I ask, Mr. Clayton, if you have printed copies of the regulations issued by your agency?

Mr. CLAYTON. Only one has been printed. The others have been mimeographed.

Senator O'MAHONEY. May they be put in the record?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. They may be inserted in the record.

(The regulations referred to are as follows:)

LETTER SENT BY W. L. CLAYTON TO PROCURING AGENCIES, APRIL 21, 1944

As you know, the Surplus War Property Administration has as yet issued no formal regulations governing price policies to be followed in sales of surplus war property. There is one matter of great urgency, however, with respect to which an immediate declaration of policy is believed to be required. This concerns the disposal, by or under the authority of a contracting agency of the Government, of property becoming available as the result of the termination of a war contract by that agency.

Such termination inventories are becoming available for sale in considerable quantities at the present time. The opportunity to dispose of much of this property is certainly more favorable now than it will be later, and the public interest will be served if it can be sold now and directly from the plant of the contractor where it is located.

I understand that these termination inventories are not now being sold as rapidly or in as large quantities as is desirable, and that this stems in large part from a feeling on the part of contracting and termination officers in the field that they lack a definable policy for making such sales and that they may be criticized for the exercise of boldness and initiative in turning over the property, which results in unwillingness to authorize sales except at prices so high as to be often unobtainable.

Being satisfied that the Government and the public should give the fullest measure of support and encouragement to the disposal of termination inventories at this time, so that they will not both occupy valuable storage space and complicate the future surplus problem at a time when the supply will be greater and the demand smaller, I have issued a statement of policy, which I enclose. It is designed to give the strongest impetus to prompt sales of termination inventories to or by contractors, consistent with intelligent protection of the public interest. It presupposes a reasonable effort to ascertain and obtain going market values, but makes it clear that where the circumstances preclude this, as they very often will, contracting officers are not subject to criticism for selling, subject to the reasonable requirements set forth in the policy statement, at the best prices reasonably obtainable even though this may sometimes require going far below cost or nominal market.

It is suggested that you distribute copies of this letter and the enclosed statement to your field officers having jurisdiction of disposal of termination inventories and I would appreciate your advising me as to the manner in which this is done and as to any additional steps you may take to further the objectives set forth herein and in the statement. Kindly consider this letter and the enclosed statement as issued under paragraph 4 of Executive Order No. 9425 and also under the authority delegated to this Administration by the Joint Contract Termination Board.

Very truly yours,

W. L. CLAYTON, *Administrator.*

STATEMENT OF POLICIES TO BE FOLLOWED BY GOVERNMENT AGENCIES IN THE SALE OF CONTRACT TERMINATION INVENTORIES

The selling and pricing policies set forth below shall be followed by all agencies of the Federal Government having jurisdiction over the termination of Government contracts. Their purpose is to support and encourage the contracting officers of such procuring agencies (1) to liquidate promptly, before and during contract termination proceedings, the Government's interest in connection with the property obtained to fulfill a Government contract but not now needed for the performance of the contract, and (2) to move as much of this property as possible into consumption channels during the current period of urgent demand, while still protecting the public interest.

The public interest embraces not only financial considerations but also the responsibility for insuring continuous production during the war and a healthy economy after the war. Speedy clearance of termination property is consistent with this interest.

The policy set forth herein may require modification from time to time as the situation changes.

I. TYPES OF PROPERTY COVERED

The policies enumerated herein shall, with the exceptions noted below, cover the following types of property becoming available for disposition upon the termination or partial termination of a Government contract:

(*a*) Property owned by a contractor or subcontractor with respect to which the contractor or subcontractor has a claim against the Government (either directly or through another contractor or subcontractor) as part of his termination settlement claim.

(*b*) Property owned by the Government but in the custody of a contractor or subcontractor.

The policies enumerated herein shall not, however, apply to either of the following excepted classes of property:

(1) Completed articles deliverable to the Government under a prime contract.

(2) Machinery, equipment, and similar property commonly treated as capital equipment.

With respect to such excepted classes of property, particularly capital equipment becoming available on contract terminations, it is not intended to discourage sales to or by the contractors. They are excepted because the policies herein enumerated are not as directly applicable to their disposal as to that of such property as raw and semiprocessed materials, component end products and parts, jigs, dies, fixtures and small tools, and the like. Procuring agencies shall continue to fix their own price policies on the disposal of the excepted classes of property until otherwise directed.

The policies enumerated herein do not relate to the disposal of surplus Government-owned property other than that becoming available for disposition as the result of contract terminations. Regulations are in preparation for the reporting of such property as surplus to the disposal agencies named in Executive Order No. 9425. Meanwhile existing practices shall be followed except to the extent that specific arrangements have been or will be made with particular agencies.

II. TYPES OF DISPOSAL COVERED

The policies herein enumerated shall apply to the disposition of the property covered, as outlined above, whether the procuring agency—

(*a*) Allows the contractor or subcontractor to keep the property at some agreed-upon value, which will be reflected in the contract settlement;

(*b*) Allows the contractor or subcontractor to sell the property at some agreed-upon value, which will be reflected in the contract settlement; or

(*c*) Takes over the property and sells it itself.

III. GENERAL PRINCIPLES

The specific policies enumerated herein should be read in the light of the following basic principles:

(1) Termination proceedings and the clearance of plants should be handled as speedily as possible.

(2) Retention of property by the holding contractor or subcontractor, or sales to other buyers who will themselves consume the property is desirable.

(3) Prices for property sold for resale should be sufficiently high to discourage long-term holding or quick turn-over at excessive profits.

(4) Within these limits contracting officers, and their representatives, are urged to act boldly and to exercise wide discretion in the prompt disposal of property, and will have the full support of Surplus War Property Administration in so doing.

Statement of policies to be followed by Government agencies in the sale of contract termination inventories:

IV. PROPERTY HAVING NO USE EXCEPT AS SCRAP

The many groups who have analyzed the problem of contract termination have uniformly agreed that much of the property involved is of such special nature, or has been processed in such a way, as to admit of no possibility of use in its existing form. There is an additional amount which might be used if time permitted an extended search for an appropriate use, or if use restrictions could be relaxed. The necessity for prompt clearance of plants severely limits the amount of effort and time that can be expended on such a search. It is essential to make an early determination that property either offers reasonable possibility of sale, or should be scrapped.

A. Procedures for determining what property should be sold as scrap.—Primary responsibility for making this determination rests with the procuring agencies. Each agency shall determine and operate under internal procedures adapted to its peculiar problems and organization. It is suggested, however, that the procedures of the procuring agencies should provide for referral to a reviewing authority before scrapping if the cost of any item, or group of substantially similar items, which it is proposed to scrap is estimated to be $50,000 or more. This reviewing authority may be either local, regional, or departmental boards of review or another officer designated by the procuring agency.

The Surplus War Property Administrator proposes to have the disposal agencies under Executive Order No. 9425 work closely with the procuring agencies in this operation and, at the earliest possible moment, provide a system of regional or local consultants, upon whom the contracting officers, review boards, or other representatives of the procuring agencies can call for responsible advice and assistance in connection with questions concerning the scrapping of property.

B. Procedure for selling and pricing property that has been determined to be scrap.—When property has been determined to be scrap in accordance with the above procedure it shall be sold as follows, providing that all sales shall be made subject to applicable War Production Board and Office of Price Administration regulations:

(1) Sales of scrap are authorized at the best price obtainable in the judgment of the contracting officer (or the person to whom the procuring agency has delegated the power to approve the termination settlement) in any case where the entire termination claim of the contractor or subcontractor in question, before disposal credits, is less than $10,000.

(2) Whenever the entire termination claim of the contractor or subcontractor in question, before disposal credits, is $10,000 or more sales of scrap shall be made in accordance with the following policies:

(*a*) The contracting officer, or his representative, shall determine, as nearly as may be possible by reasonable effort within a reasonable time, the going price of the type of scrap in question by reference to published trade indicators or inquiry among Government agencies, dealers, or other informed sources, taking into account transportation cost and sundry other charges.

(*b*) If it is possible to realize this price without competitive bidding the contracting officer will approve the sale.

(*c*) If it is not possible to obtain this price the contracting officer will arrange for sale of the property after competitive bids, reserving the right to reject all bids if in his judgment an inadequate price is offered.

(*d*) All sales of such scrap, whatever method of sale is adopted, shall be subject to the buyer's warranty that the property will in fact be used as scrap. A warranty substantially as follows is recommended: "The purchaser represents and warrants to the United States that the property covered by this agreement was offered as scrap, purchased by him as scrap, and that he will sell and ship or use it as scrap either in its existing condition or after further preparation and only in conformity with all applicable regulations and orders of the Office of Price Administration and the War Production Board."

(*e*) By subsequent regulations, the Surplus War Property Administration will provide for reports of scrap sales to the disposal agencies, and for a mechanism for stopping of sales in any area where prices drop to unsatisfactory levels.

V. USABLE PROPERTY

During the present phase of the war a principal objective should be to insure the earliest possible use of usable property. The surest way to accomplish this objective would be to sell the property directly to manufacturing establishments or others having current permitted uses for it. It must be recognized, however, that in many cases suppliers, dealers, or others engaged in distribution will be willing to buy surplus goods at reasonable prices.

The procuring agencies shall therefore exercise the following authority with respect to the sale of usable property, providing that all sales shall be made subject to applicable War Production Board and Office of Price Administration regulations:

(1) Sales of any quantity of any item, or group of items, are authorized at the best price obtainable in the judgment of the contracting officer (or the person to whom the procuring agency has delegated the power to approve the termination settlement) in any case where the entire termination claim of the contractor or subcontractor in question, before disposal credits, is less than $10,000.

(2) Whenever the entire termination claim of the contractor or subcontractor in question, before disposal credits, is $10,000 or more sales shall be made in accordance with the following policies:

(*a*) If the property is a crude or simple raw material, such as raw cotton, pig iron, electrolytic copper or sulfur, which is freely traded in and for which there is a recognizable market price:

(1) Sales should be authorized whenever the going market price, as nearly as it can be determined by reasonable effort within a reasonable time, can be obtained, taking into account transportation cost and sundry other charges.

(2) Whenever such going market price cannot be obtained the property should be reported to the appropriate disposal agency for disposition, except that if the quantity of the item involved is less than a minimum commercial quantity, it should be sold at the best price obtainable.

The disposal agencies under Executive Order No. 9425 will be requested to prepare and make available to the procuring agencies at the earliest possible date, lists of items considered to belong in the category described in paragraph 2 (a), together with the quantities thereof to be regarded as minimum commercial quantities.

(*b*) If the property is not in the category described in paragraph 2 (a), contracting officers and their representatives are urged to make an active effort to accomplish sales in accordance with the policies stated below, after due consideration has been given to any reasonably obtainable information as to market values:

(1) Sales of nominal quantities (single items, or groups of items where the cost of all substantially similar items at any one location does not exceed $1,000) should be made at the best price obtainable, without review.

(2) Sales should be made to any buyer at the best price obtainable in excess of 75 percent of (*a*) cost, or (*b*) the price which that buyer would have to pay if he bought an equivalent quantity from a normal source of supply, whichever is lower.

(3) Sales of property which cannot be sold within a reasonable period of time on the terms stated in paragraph (*b*) (2) above should be made to a buyer who will consume the property in the United States for manufacturing or maintenance or repair purposes, and who will agree that if he does not so consume it, he will not resell it at a profit, at the best price obtainable. This policy shall prevail until the Surplus War Property Administration by specific direction establishes such other sales procedures or policies (which may include a determination not to sell) with respect to specific items, such as standard consumer articles, as in its judgment are required to maintain orderly markets.

Wherever referred to in this statement, sale "at the best price obtainable" implies a reasonable effort to test the market, having due regard for circumstances, the nature, condition, quantity, and location of the particular property and the general principles herein stated.

WASHINGTON, D. C., *April 21, 1944.*

SURPLUS WAR PROPERTY ADMINISTRATION REGULATION NO. 1

SCOPE OF REGULATION

This first regulation is designed primarily to advise Federal agencies which possess or control property which is in excess of their needs as to the forms and procedures to be followed in declaring such property surplus and as to the relative duties and responsibilities of such agencies and of the disposal agencies with respect to property so declared surplus. It does not deal in detail with the methods and policies to be followed by the disposal agencies, either in redistributing the property to other Federal agencies or in disposing of it elsewhere, nor with the financial and accounting responsibilities of the disposal agencies.

This regulation by its terms is applicable to all Federal agencies and to all property possessed or controlled by them which they determine to be surplus. However, because of the urgency and magnitude of the problems involved in the disposition of surplus war property of the War and Navy Departments and the Maritime Commission, including termination inventories, this regulation is primarily directed at these problems and is being made effective at this time because of the urgent need for action with respect thereto. This regulation is therefore being made effective at the present time with respect only to surplus war property of the War and Navy Departments and of the Maritime Commission.

Other owning agencies will continue practices heretofore existing under Executive Order No. 9235 with respect to the declaration and disposition of surplus property, until such time as this regulation shall be made effective with respect to them. Because of the large number of agencies and the wide variety of types of property involved, the Surplus War Property Administration may vary nor supplement this regulation in making it effective in the future with respect to surplus war property of agencies other than the War and Navy Departments and the Maritime Commission.

This regulation shall become effective with respect to surplus war property of the War and Navy Departments and of the United States Maritime Commission on May 15, 1944.

DEFINITIONS

As used in regulations of the Surplus War Property Administration, unless otherwise therein stated,

(*a*) "Agency" means any executive department, independent establishment, agency, commission, board, bureau, division, administration, office, service, independent regulatory commission or board of the Federal Government, and any corporation owned or controlled by the Federal Government.

(*b*) "Surplus war property" means any property, real or personal, including but not limited to plants, facilities, equipment, machines, accessories, parts, assemblies, products, commodities, materials, and supplies in the possession of or controlled by any agency, whether new or used, in use or in storage, which are in excess of the needs of such agency or are not required for the performance of the duties and functions of such agency and which are determined, subject to the authority of the Office of War Mobilization, to be surplus by such agency.

(*c*) "Owning agency" means the agency having possession or control of surplus war property at the time when it is determined to be surplus by such agency.

(*d*) "Disposal agency" means the agency to which, by this regulation or by other action of the Surplus War Property Administration, surplus war property of a specified class is assigned for disposition.

(*e*) "Administration" means the Surplus War Property Administration established by Executive Order No. 9425 dated February 19, 1944.

(*f*) "Continental United States, its territories and possessions" shall include Alaska, Hawaii, Puerto Rico, the Philippine Islands, the Virgin Islands and the Panama Canal Zone.

I. DESIGNATION OF DISPOSAL AGENCIES

A. *Procurement Division, Treasury Department.* There is hereby assigned to the Procurement Division of the Treasury Department for disposition all surplus war property of the classes set forth under its name in Exhibit I to this regulation. Such classes of property are herein called consumer goods and are the only classes of property which the Administration deems it feasible so to assign.

B. *Reconstruction Finance Corporation.* There is hereby assigned to the Reconstruction Finance Corporation for disposition all surplus war property of the following classes:

(1) All industrial real property of every character other than that disposed of under part IC, IE or IF hereof, including buildings and fixtures.

(2) Such personal property, including machinery and other equipment, materials, and products finished or in process as are reported as surplus to Reconstruction Finance Corporation by the owning agency as an integral whole in conjunction with the plant or other real property where they are located, and as should in the judgment of Reconstruction Finance Corporation be disposed of as a unit. If not so disposed of, such personal property is hereby assigned to the disposal agency otherwise appropriate hereunder.

(3) The classes set forth under its name in Exhibit I to this regulation.

The foregoing classes of property are herein called capital and producers' goods. In disposition, Reconstruction Finance Corporation may act directly or through any of its subsidiary corporations, created pursuant to Section 5d (3) of the Reconstruction Finance Act, as amended, designated by it. Except as above stated, the Administration does not deem it feasible to assign property for disposition to a subsidiary of Reconstruction Finance Corporation.

C. *United States Maritime Commission and Navy Department.* There is hereby assigned to the Maritime Commission for disposition all surplus war property of the following classes:

(1) Shipyards, repair yards, marine terminals and similar marine real property including buildings and fixtures. If, however, the Maritime Commission shall determine that any such property should not be disposed of for the purpose of making it available for use in connection with building, repair, or operation of ships, such property shall constitute industrial real property and be assigned to Reconstruction Finance Corporation.

(2) Such personal property, including machinery and other equipment, materials and products finished or in process as are reported as surplus to the Maritime Commission by the owning agency as an integral whole in conjunction with the maritime real property where they are located, and as should be in the judgment of the Maritime Commission be disposed of as a unit for maritime use. If not so disposed of, such personal property is hereby assigned to the disposal agency otherwise appropriate hereunder.

(3) The classes set forth under its name in Exhibit I to this regulation, except as set forth in the next succeeding paragraph.

The foregoing classes of property are herein called ships and maritime property. The administration does not deem it feasible to assign to the Maritime Commission, and therefore assigns to the Navy Department, for disposition (a) ships under the cognizance of the Navy Department which fall into the categories of combat ships or naval auxiliaries, other than those based on commercial designs or susceptible of commercial usage, and (b) such property of classes set forth under the name of the Maritime Commission in Exhibit I to this regulation as appertains to or forms an integral part of a ship disposed of by the Navy Department.

D. *War Food Administration.* There is hereby assigned to the War Food Administration for disposition all surplus war property of the classes set forth under its name in Exhibit I to this regulation. Such classes of property are herein called food and are the only classes of property which the Administration deems it feasible so to assign.

E. *National Housing Agency.* There is hereby assigned to the National Housing Agency for disposition all surplus war property of the class of housing property (including such community facilities financed through the Federal Works Agency as are located on the sites of housing projects) other than that under the control and jurisdiction of the War Department or the Navy Department.

F. *Federal Works Agency.* There is hereby assigned to the Federal Works Agency for disposition all surplus war property of the class of community facilities financed through such Agency, other than those located on the sites of housing projects.

G. *Foreign Economic Administration.* There is hereby assigned to the Foreign Economic Administration for disposition all surplus war property, of whatsoever nature, located outside the continental United States, its territories and possessions.

H. *Property Unassigned.*—Surplus war property not covered by the foregoing assignments, including in particular real property not covered by parts IB, IC, IE and IF, will be assigned by subsequent regulation. Pending such regulations owning agencies are authorized to exercise existing powers of disposition, keeping the Administration currently advised of their plans, policies and procedures with respect to such disposition.

I. *Exceptions.*—There is excepted from the foregoing assignments all surplus war property of which, by part III of this regulation or by other regulation or policy statement of the Administration, owning agencies are authorized to make disposition.

J. *Transfers.*—By arrangements authorized or approved by the Administration, property initially assigned to one disposal agency hereunder may be reassigned to another for disposition.

II. PROCEDURES FOR REPORTING SURPLUSES

A. *Property to Be Reported.* Except as to unassigned property and surplus war property of which, by part III of this regulation or by other regulation or policy statement of the Administration, owning agencies are authorized to make disposition, all property of any agency which is determined by such agency to be surplus, as provided in Executive Order No. 9425, shall be reported as herein set forth.

B. *When Reports Filed.*—All such surplus war property will be reported as herein set forth immediately upon the determination by the owning agency that such property is surplus.

C. *Where Reports Filed.* (1) *Real Property:* (a) All surplus real property assigned in part I of this regulation, including plants, buildings and fixtures, will be reported to the disposal agency designated in part I for the disposition thereof. Reports to the Maritime Commission will be reported to the appropriate office of that agency listed in Exhibit II to this regulation. Reports to any other disposal agency for real property, including Reconstruction Finance Corporation, will be sent to its central office in Washington, D. C.

(b) In reporting as surplus real property, or properties comprising both realty and personalty which, in the judgment of the owning agency, can best be disposed of as an integral whole, the owning agency shall submit for each unit a completely itemized and descriptive inventory docket within which the personal property involved shall be fully described and listed in conformity with the major groups (two digits) of the Standard Commodity Classification set forth in Exhibit I to this regulation. Brief preliminary reports, presenting the major characteristics of such properties, should be submitted as far in advance of their actually becoming surplus as is possible.

(c) Whenever a property unit comprising both real and personal property has been reported pursuant to paragraph (b) above, and the disposal agency for the real roperty determines that any of the personal property can best be disposed of separately, such disposal agency will report such personal property to the disposal agency designated therefor under part I.

(2) *Personal Property:* (a) *Where Reports Filed.* With the exception of personal property included in reports of real estate under paragraph 1 (b) above, all surplus personal property will be reported to the appropriate office of the disposal agency designated therefor in part I, for the region in which the property is located; Exhibit II to this regulation lists all such offices and the regions covered by them; provided, however, that where it proves impracticable to make a sufficiently complete segregation of the various classes of property involved in termination inventories or supply property of the Army or Navy to permit the reporting of each such class to the proper disposal agency, this regulation shall be deemed to be complied with if termination inventory property is reported to the appropriate regional office of Reconstruction Finance Corporation and supply property to the appropriate regional office of the Procurement Division of the Treasury Department, where any necessary segregation and forwarding to another disposal agency will take place; all such reports shall nevertheless comply with the requirements of paragraph 2(b) below. Pending further regulations, reports of surpluses located abroad shall be made to the central office of the Foreign Economic Administration in Washington, D. C., or elsewhere as agreed upon by that administration and the owning agency.

(b) *Forms.* All reports of surplus war property which is personal property shall, except as set forth in part II C (1) (b), be made on Forms SWPA–1 and SWPA–1 (a) set forth in Exhibit III to this regulation. Such forms shall be used in the manner set forth in the instructions forming a part of such Exhibit.

III. RESPONSIBILITIES OF OWNING AGENCIES

A. *Maintenance of Inventories.* Owning agencies are urged to establish as promptly as practicable and maintain currently their inventory records in accordance with the Standard Commodity Classification described in Exhibit I.

B. *Determination of Surplus.* Each owning agency will determine what property in its possession or control is surplus, until and unless the Office of War Mobilization shall exercise the applicable authority referred to in Executive Order No. 9425. Particularly during the current phase of the war, owning agencies are urged to exercise the utmost diligence in ascertaining the existence of surpluses and declaring them promptly for disposition. Accordingly, it shall be the responsibility of each owning agency to hold only such property as may be essential for the prosecution of its programs. Through agency procedures inventories shall be reduced to these required levels by declaring as surplus all unneeded items not hereby authorized to be sold by the owning agency.

C. *Sales by Owning Agencies.* To the extent that surplus war property coming within the scope of this regulation is involved therein, owning agencies are authorized to dispose, or authorize contractors to dispose, of property without declaring it as surplus, in the following situations, to the full extent that such disposition is provided for or permitted by law:

(1) *Termination Inventories.* Termination inventories may be disposed of during the course of the termination proceedings, in accordance with the policies set forth in the Administration's letter to the major procuring agencies and Statement of Policies to be Followed by Government Agencies in the Sale of Contract Termination Inventories, both dated April 21, 1944.

(2) *Nominal Quantities.* Owning agencies may sell single items or groups of items, when the cost of all substantially similar items which are surplus at any one location does not exceed $1,000.

(3) *Scrap and Salvage.* Pending the issuance of specific regulations governing scrap sales of property other than termination inventories, property which is damaged beyond economical repair, and waste, scrap, salvage and other comparable items, may be sold by owning agencies. Such sales shall be made in conformity with the policies to procedures set forth in part IV of the Administration's Statement of Policies to be Followed by Government Agencies in the Sale of Contract Termination Inventories, dated April 21, 1944, where applicable, or in conformity with established salvage procedures or manuals of the owning agencies, if such procedures or manuals have been filed with the Administration. Sales of scrap by owning agencies shall be reported to the appropriate regional office of Reconstruction Finance Corporation (whether or not such scrap constitutes termination inventory) in such maner and at such times as that Corporation shall direct. That Corporation shall promptly advise the Administration of any situation in which scrap sales in any area are at such unsatisfactory price levels that sales should be stopped. That Corporation shall likewise, at the earliest possible moment, provide a system of local or regional consultants upon whom the representatives of the owning agencies can call for advice and assistance on questions concerning the scrapping of property and the marketing of scrap.

(4) *Property Located Outside the United States.*

(a) *In active theaters of operation.* Military and naval commanders in active theaters of operation may sell or otherwise dispose of any surplus property within their control.

(b) *General.* Owning agencies, pending further regulations, may sell surplus property in localities outside the continental United States, its territories and possessions where the Foreign Economic Administration has no local representative, and in localities in the territories and possessions of the United States where the appropriate disposal agency has no local representative.

(5) *Advance Clearance.* Where special circumstances, such as danger of deterioration or sanitary or other hazard, make immediate sales by owning agencies

desirable without surplus declaration, advance clearance may be obtained from the Administration or such agency as it may designate for the purpose.

D. *Reports to Disposal Agencies.* (1) *Regional Basis of Reporting.* Owning agencies will establish and maintain such organizations and procedures as are necessary to enable them to make reports of surplus property to the disposal agencies on a regional basis, in accordance with the procedures established in part II of this regulation.

(2) *Withdrawal of Property Reported.* After reporting property to a disposal agency, the owning agency will hold the property subject to disposition instructions from the disposal agency. When property has been reported as surplus, the disposal agency shall thereupon have the exclusive right and obligation to make disposition thereof for the United States. Where unforeseen circumstances arise, however, the owning agency may, with the consent of the disposal agency, withdraw such property for its own use or other disposition prior to its disposition by the disposal agency.

(3) *Limitations on Power of Disposal.* Owning agencies will accompany each report of surplus with a statement clearly indicating what, if any, legal restrictions exist as to their power to dispose of the property in question. In the absence of any such statement, disposal agencies shall conclusively assume that they have unrestricted power to dispose of the property for the United States, subject to the applicable regulations of the Administration.

E. *Storage, Packing and Shipping.* (1) *Future Policy.* The Administration recognizes the desirability of having a sngle responsibility for both the sale and the storage, packing and shipping of each class of surplus property. Manpower and facilities shortages prevent this from being effected at the present time. Every effort will be made, however, to provide for the requisite transfer from owning to disposal agencies as soon as these conditions permit, and certainly at some stage between the ending of the first phase of the war and conclusion of the war.

(2) *Present Operations.* (a) The owning agency will provide storage for property reported to the disposal agency pending removal or disposal by the disposal agency. At the request of the disposal agency the owning agency will permit reasonable inspection of the property. Upon receipt of shipping instructions from the disposal agency, the owning agency will prepare the property for shipment and will ship in accordance with such instructions.

(b) Pending further regulations, accountability for surplus property will pass to the Procurement Division of the Treasury Department, as to property assigned to it under part I of this regulation, to the same extent and in the same manner as has heretofore been the case under Executive Order 9235, but accountability for all other surplus property will remain in the owning agency until the property is delivered upon the order of the disposal agency.

IV. RESPONSIBILITIES OF DISPOSAL AGENCIES

A. *Disposal.* Disposal agencies shall have the exclusive right and obligation to make disposition, subject to the regulations of the Administration, of all property declared to them as surplus. They shall conclusively assume, unless otherwise notified by the owning agency, that property declared as surplus by an owning agency is property of the United States and that they have unrestricted power to dispose thereof for the United States, subject to the applicable regulations of the Administration. The exclusive responsibilities of disposal agencies shall include determining methods of sale, identity of purchasers and price, execution of all necessary documents in connection with disposal, including any necessary documents of title, and the collection and proper treatment of all proceeds. The military agencies, if they so request in conjunction with the report of surplus, will be consulted prior to the sale of any tactical equipment reported by them.

B. *Inventories.* Disposal agencies will establish and maintain, in each region in which they receive reports of surplus, inventories of all surplus war property reported to them. Such inventories will be maintained in accordance with the Standard Commodity Classification described in Exhibit I.

C. *Storage, Packing and Shipping.* Disposal agencies will proceed as promptly as is practicable so as to organize their activities and personnel as to carry out the policy set forth in part III E (1) of this regulation.

V. INTERAGENCY COOPERATION

While there shall be strict adherence to the basic principle of Executive Order No. 9425 that there shall be a single disposal agency for each class of property, disposal agencies will make use, to the extent practicable, of facilities of other agencies which can assist them in their task, and will in turn, through the organization of regional consultants and coordinating and advisory committees and otherwise, render all possible assistance to owning agencies in connection with dispositions made by or under the authority of the owning agencies. Conversely other agencies will make available to the disposal agencies all assistance and facilities which the disposal agencies may reasonably request.

VI. SALES POLICIES

All sales of surplus war property, whether made by disposal agencies or by or under the authority of owning agencies, will be made in accordance with the policies, regulations or directions of the Administration or, with its authority, of the disposal agencies. In the absence of specific directions, such as those heretofore issued with respect to sales of termination inventories, sales may be made in such manner as the selling agency shall deem advisable, adhering to the primary principle that a reasonable test of the market, having due regard for the nature, condition, quantity and location of the property, is a necessary prerequisite to any sale.

VII. ACCOUNTING PROCEDURES

Pending specific regulations on the subject, accounting and fiscal procedures and practices of the disposal agencies shall be conducted by the disposal agencies in such manner as they deem appropriate in order to conform to existing laws and regulations.

VIII. REDISTRIBUTION WITHIN GOVERNMENT

Disposal agencies will so organize their activities that information as to the availability of surplus war property will at all times be readily obtainable by all agencies. Information as to stocks will be interchanged between offices of the disposal agencies in order that large quantities of scarce items reported in one region may be made available to other regions for distribution, where appropriate. Pending the issuance of more specific instructions, both the procuring agencies and the disposal agencies will take all practical steps to assure as full utilization within Government of available surplus property as is consistent with (a) the nature of the item, (b) timely procurement by the procuring agencies, and (c) prompt disposal by the disposal agencies.

EXHIBIT I TO REGULATION NO I. ASSIGNMENT OF PROPERTY TO DISPOSAL AGENCIES

The assignments herein contained are based on the classifications contained in the Standard Commodity Classification (Government Printing Office, May, 1943, and February, 1944). That Classification contains a number of so-called major groups, which are designated by two digits only (such as 01—Live Animals; 65—Drugs and Medicines). These major groups in turn are broken down into classes of property represented by the two digits of the major group plus additional digits (such as 65 48—Marine liver oil, etc.). All of the major groups now being assigned are listed in this Exhibit, but only such of the lesser groups are listed as are necessary to carve out of a major group assigned to one agency types of property included therein which are assigned to another. For a complete breakdown of each major group reference must be made to the Standard Commodity Classification itself.

It should further be noted that for reporting purposes, while reference to this Exhibit is necessary to ascertain the proper disposal agency, one report may include all property in a major group (two digits) at one location which is assigned to a single disposal agency.

PART 1—CRUDE MATERIALS

Reconstruction Finance Corporation	Treasury Procurement	War Food Administration
	01 Live Animals, other than food animals	01 Live Animals, except non-food animals
		02 Crude Animal Products, Edible
03 Crude Animal Products Inedible, Except Fibers		
		04 Crude Vegetable Products, Edible
05 5 Crude rubber and allied gums		05 Crude Vegetable Products, Inedible, except Fibers (except as indicated)
05 628 lac		
05 7 Crude medicinal herbs, roots, barks, and other plant parts, except U. S. P., N. F. and similar grades		
05 93 Crude cork		
05 94 Loofa Sponges		
06 Fibers, Vegetable and Animal, Unmanufactured (except as indicated) (Note inclusion of foreign wool and mohair)		06 1 Cotton 06 22 Flax (Only Domestic Production) 06 23 Hemp (Cannabis Sativa) 06 5 Wool and related specialty hair (only domestic production)
07 Coal, Crude Petroleum, and Related Crude Hydrocarbons		
08 Metallic Ores, Tailings, Concentrates and their unrefined Metallic Products		
09 Crude Nonmetallic Minerals, Except Coal and Petroleum		

PART 2—BASIC MATERIAL AND PRODUCTS

Reconstruction Finance Corporation	Treasury Procurement	War Food Administration
11 Leather		
12 Boot and Shoe Cut Stock and Shoe Findings		
13 Wood Basic Materials, Except Pulpwood (except as indicated)	13 91 Cooperage Stock, Fabricated 13 92 Rattan, Willow and Bamboo Stock 13 94 Box and Crate Shook 13 97 Handles	
14 1 Pulpwood	14 Pulp, paper and paper board (except as indicated)	
14 2 Paperbase stocks except pulp		
14 3 Woodpulp		
14 4 Other Pulp		
14 6 Building paper		
14 8 Building board		
15 2 Jute Basic Textiles	15 Textile Basic Manufactures (except as indicated)	
15 66 Curled hair (similar to 06.7)		
15 71 Silk Semi Manufactures		
15 72 Silk Yarn		
15 81 Rayon, Nylon, etc. Semi Manufactures		
15 82 Rayon, Nylon, etc. Yarn		
15 912 Jute Cordage except sizes less than ¼″ cross sectional diameter		
15 913 Soft Fiber Cordage except sizes less than ¼″ cross sectional diameter		
15 914 Hard Fiber Cordage and Twine (All)		
16 52 Industrial Molasses		
17 7 Waxes, Animal and Vegetable		16 Food and Beverage Basic Materials (except as indicated)
18 Petroleum and Coal Products. Except Raw Materials for Chemical Industries		17 Oils, Fats, Waxes and Derivatives, Animal and Vegetable (except as indicated)

PART 3—END PRODUCTS

Reconstruction Finance Corporation			**Treasury Procurement**			**War Food Administration**	
19	Chemicals (except as indicated)	19		Chemicals, to the extent of materials packaged for delivery to retail outlets	19	271	Rosins
					19	272	Turpentine
					19	274	Pine Oil
					19	275	Pine Pitch
					19	276	Pine Tar
21	Iron, and Iron and Steel Scrap						
22	Steel (except as indicated)	22	52	Barbed and twisted wire			
23	Ferro and Nonferrous Additive Alloys						**Maritime Commission**
24	Nonferrous Metals						
25	Fabricated Metal Basic Products (except as indicated)	25	42	Truck Tanks	25	53	Marine Basic Hardware
		25	51	Builders' Basic Hardware	25	31	Power Boilers Marine
		25	54	Motor Vehicle Hardware			
		25	56	Casket Hardware			
		25	57	Furniture Hardware			
		25	58	Trunk and Luggage Hardware			
		25	59	Misc. Basic Hardware			
		25	61	Automotive Vehicle Bodies			
		25	64	Combat Vehicle Bodies			
		25	75	Insect Screening			
		25	76	Woven Wire Fencing			
		25	77	Wire Nails, Tacks and Staples			
		25	78	Wire Springs			
		25	7901	Wire Chain			
		25	7903	Chain Link Fencing			
		25	7906	Wire Hoops			
		25	91	Chain and Attachments			
		25	94	Bolts, Nuts, Screws, Rivets, Etc.			
		25	98	Cut Nails, Tacks and Spikes			
		25	99	Misc. Fabricated Products			
26	Nonmetallic Mineral Basic Products—Chiefly Structural (except as indicated)	26	3	Glass Basic Products			

27	Nonmetallic Mineral Basic Products—Chiefly Non-structural (except as indicated)	27	1	Glass Basic Products (except 3 items 27 1431 Railroad Signal lenses 27 152 Radio tubes (glass only) 27 16 Insulators)			
		27	2	Abrasive Basic Products, Natural and Synthetic, Manufactured—to the extent the materials are packaged for retail sale or can be considered hand tools.			
		27	32	Asbestos and asbestos metallic packing and gaskets, to the extent of automotive parts.			
		27	33	Asbestos woven or moulded friction material, to the extent of automotive parts, (principally brake linings and clutch facings).			
		27	92	Pottery			
		27	93	Pottery Supplies			
		27	94	Ceramic Products			
29	Miscellaneous Basic Materials (except as indicated)	29	1	Rubber Fabricated Materials			
		29	28	Automotive Plastic Parts, also any motor vehicle items elsewhere in 29 2			
		29	91	Button Blanks, Moulds and other parts			
		29	92	Beads, Bugles and Spangles			
		29	95	Catgut and Wormgut			
31	General Purpose Industrial Machinery & Equipment (except as indicated)	31	6	Industrial trucks, tractors, trailers, stackers and accessories	31	582	Winches
					31	583	Anchor Windlasses
		31	97	Lubrication equipment—to the extent the items are for use in connection with motor vehicles	31	584	Capstans

PART 3—END PRODUCTS—Continued

Reconstruction Finance Corporation			Treasury Procurement			War Food Administration
32		Electrical Machinery & Apparatus (except as indicated)	32	412	Battery Charging Generators (except Aircraft)	
			32	432	Starter Motors (except Aircraft)	
			32	45	Motor Ignition Equipment (except Aircraft)	
			32	514	Plug Fuses	
			32	53	Lamp Sockets	
			32	7	Lamps (except 32 73 Aviation Service Lamps)	
			32	8	Electric appliances, household and commercial	
			32	91	Dry Cell Batteries	
			32	92	Storage Batteries	
33		Special Industrial Machinery	33	54	Tire repairing machinery and equipment	
			33	995	Automobile service station equipment	
34		Metal Working Machinery	35		Agricultural Machinery & Implements	
			36		Construction, Mining, Excavating and Related Machinery	
			37		Tractors	
			38		Office Machines	
39		Miscellaneous Machinery (except as indicated)	39	11	Home Type Laundry Equipment	
			39	20	Home Sewing Machines	
			39	43	Calculating & Computing Scales	
			39	44	Coin Operated Scales	
			39	45	Spring Scales, Household	
			39	50	Cash Registers	
			39	60	Coin Operated Machines	
41		Communications Equipment and Electronic Devices (except as indicated)	41	1	Radio Broadcast receivers	
42		Aircraft				

						43 Ships, Small Watercraft and Marine Propulsion Machinery
44		Railroad Transportation Equipment				
			45		Motor Vehicles	
			49		Misc. Transportation Equipment	
			51		Plumbing and Heating Equipment	
52	7	Ice Making and Cold Storage Plant Systems, Components and Accessories	52		Air Conditioning and Refrigeration Equipment (except as indicated)	
52	92	Industrial Refrigeration Units				
52	12	Central Station Air Conditioning Systems				
53	32	Railroad Signal Fixtures	53		Lighting Fixtures (except as indicated)	53 2 Marine Fixtures
53	7	Airport, Airway & Seadrome lighting				
53	81	Train lighting fixtures				
53	86	Aircraft lighting fixtures				
			54		Furniture & Fixtures	
			55		Photographic Goods and Processed Motion Pictures	
			56		Optical Instuments & Apparatus	
57		Indicating, Recording and Controlling Instruments and Accessories except watches and clocks (except as indicated)	57	11	Thermometers	57 65 Compasses and accessories (Marine)
			57	14	Heating & ventilating controls and accessories	57 66 Azimuth Sextants and Octants
			57	56	Taximeters and Parking meters	57 691 Taff Rail Logs
59	15	Hazard measuring devices	57	341	Household refrigeration controls	
59	18	Machine guards	58		Professional and Scientific instruments and Apparatus	
59	20	Water purification equipment except 59 241, Home Water softeners				

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PART 3—END PRODUCTS—Continued

Reconstruction Finance Corporation			Treasury Procurement		War Food Administration		
59	55	Sprinkler System Components	59	Miscellaneous Equipment (except as indicated)			
59	77	Railroad Signal Controls			61		Food, Manufactured
					62		Feed, Manufactured
					63		Beverages and Ice
					64		Tobacco Manufactures
65		Drugs and Medicines, to the extent that they are not prepared or packaged for sale to retail outlets or institutions. (Bulk, unfinished drugs and medicines requiring processing or packaging not ordinarily done by a wholesale or retail store).	65	Drugs and Medicines (except as indicated)	65	481	Marine liver oil, derivatives, and preparations, except Marine liver oil Concentrates in Solution, m. g.
					65	68	Vitamins, Vitamin-Active Compounds and Preparations containing one and more than one Vitamin, m. g.

PART 3—END PRODUCTS—Continued

Reconstruction Finance Corporation			Treasury Procurement		Maritime Commission		
			66	Toiletries, cosmetics, soap, and household chemical preparations			
			67	Apparel, except footwear			
			68	Footwear			
			69	Fabricated Textile Products except apparel			
			71	End Products of Leather except apparel, Footwear and luggage			
			72	Converted Paper Products and Pulp Goods			
			73	Products of Printing and Publishing Industries			
			74	Rubber End Products			
			75	End Products of Metal Industries	75	953	Cargo nets, wire rope
					75	954	Wire rope slings
76	51	Lasts for boots and shoes	76	Finished Wood Products, except Furniture and Rail Work) (except as indicated)			
76	52	Last sole patterns					
			77	End Products of Glass, Clay and Stone			
			79	Miscellaneous End Products of Manufacturing Industries.			
			81	Small Arms and Components			
			83	Small Arms Ammunition and Specifically adapted Components			

EXHIBIT II TO REGULATION NO. 1. OFFICES OF DISPOSAL AGENCIES AND REGIONS COVERED

Property of the classes assigned to a particular disposal agency in Part I of Regulation No. 1 are to be reported to the office of the disposal agency for the territory in which the property is located. This Exhibit gives the addresses of the offices of the four major disposal agencies for property located in the United States to which reports are to be sent and the territory covered by each, together with other information which may be useful. Pending further regulations, property located in the continental United States, its territories and possessions, as defined in Regulation No. 1, but not within the territory covered by any of the offices listed below, shall, if reported as surplus, be reported to the central office of the appropriate disposal agency in Washington, D. C., and property located outside the continental United States, its territories and possessions, as so defined, and reported as surplus, shall be reported to the central office of the Foreign Economic Administration in Washington, D. C., unless other mutually satisfactory arrangements are made by the respective owning and disposal agencies.

U. S. TREASURY DEPARTMENT—PROCUREMENT DIVISION

Territory	*Address*	*Other Information*
REGION I Connecticut Maine Massachusetts New Hampshire Rhode Island Vermont	Park Square Building Boston 16, Mass.	Mr. Donald A. Mackay, Regional Director Phone: Hubbard–2870
REGION II Pennsylvania New Jersey New York	76 Ninth Avenue New York 11, N. Y.	Mr. F. S. Albrecht, Regional Director Phone: Chelsea–3–8950
REGION III District of Columbia Delaware Maryland North Carolina Virginia	1229 20th Street NW Washington 25, D. C.	Mr. J. J. Connor, Regional Director Phone: Executive–6400 Ext. 5035 and 5036
REGION IV Indiana Kentucky Ohio West Virginia	Faller Bldg., 8th and Walnut Sts. Cincinnati 14, Ohio	Mr. J. H. Little, Regional Director Phone: Parkway–7160
REGION V Illinois Michigan Minnesota North Dakota South Dakota Wisconsin	Room 300, 209 S. LaSalle St. Chicago 4, Ill.	Mr. F. A. Mapes, Regional Director Phone: Delaware–8300
REGION VI Alabama Florida Georgia Mississippi South Carolina Tennessee	10 Forsyth St. Bldg Atlanta 3, Ga.	Mr. John D. Tompkins, Regional Director Phone: Walnut–5081
REGION VII Arkansas Louisiana Oklahoma Texas	609 Neil P. Anderson Bldg. Fort Worth 2, Tex.	Mr. Hamilton Morton, Regional Director Phone: 2–1287
REGION VIII Iowa Kansas Missouri Nebraska	2605 Walnut Street Kansas City 2, Mo.	Mr. W. B. Edgar, Regional Director Phone: Westport–4903
REGION IX Colorado New Mexico Utah Wyoming	7th Floor, Exchange Bldg. 1030 Fifteenth Street, Denver 2, Colo.	Mr. Alden W. Pool, Regional Director Phone: Keystone 4151
REGION X Arizona California Nevada	335 Fell Street San Francisco 2, Calif.	Mr. Thomas C. Stephens, Regional Director Phone: Underhill 1922
REGION XI Idaho Oregon Montana Washington	2005 Fifth Avenue Seattle 1, Wash.	Mr. Orrin C. Bradeen, Regional Director Phone: Maine 2782

WAR FOOD ADMINISTRATION

Territory	*Address*	*Other Information*
NORTHEAST REGION Connecticut Delaware District of Columbia Maine Maryland Massachusetts New Hampshire New Jersey New York Pennsylvania Rhode Island Vermont West Virginia	150 Broadway New York 7, N. Y.	Mr. Francis D. Cronin, Regional Director
SOUTHERN REGION Alabama Florida Georgia Kentucky Mississippi North Carolina South Carolina Tennessee Virginia	Western Union Building Atlanta 3, Ga.	Col. James H. Palmer, Regional Director
SOUTHWEST REGION Arkansas Colorado Kansas Louisiana New Mexico Oklahoma Texas	425 Wilson Building Dallas 1, Tex.	Mr. L. J. Cappleman, Regional Director
MIDWEST REGION Illinois Indiana Iowa Michigan Minnesota Missouri Nebraska North Dakota Ohio South Dakota Wisconsin	Room 1714 5 South Wabash Avenue, Chicago 3, Ill.	Mr. E. O. Pollock, Regional Director
WESTERN REGION Arizona California Idaho Nevada Montana Oregon Utah Washington Wyoming Territory of Hawaii	821 Market Street San Francisco 3, Calif.	Mr. Buell Maben, Regional Director

RECONSTRUCTION FINANCE CORPORATION

Territory	*Address*	*Other Information*
ATLANTA REGION Georgia Alabama Tennessee Florida	Healey Building Atlanta 3, Ga.	Mr. M. E. Everett, Manager
BOSTON REGION Maine New Hampshire Vermont Massachusetts Connecticut Rhode Island	40 Broad Street Boston 9, Mass.	Mr. John J. Hagerty, Manager
CHARLOTTE REGION North Carolina South Carolina	Wilson Building 109 West Third Street Charlotte 1, N. C.	Mr. John A. Campbell, Jr., Manager
CHICAGO REGION Illinois Indiana Iowa	208 S. LaSalle Street Chicago 4, Ill.	Mr. B. A. Mattingly, Manager
CLEVELAND REGION Ohio West Virginia	Federal Reserve Bank Bldg. Cleveland 1, Ohio	Mr. J. A. Fraser, Manager
DALLAS REGION See Attachment 1	Cotton Exchange Building Dallas 1, Tex.	Mr. L. B. Glidden, Manager
DENVER REGION Colorado New Mexico	Boston Building Denver 2, Colo.	Mr. Ross L. Hudson, Manager

Territory	*Address*	*Other Information*
DETROIT REGION Michigan—except upper peninsula	607 Shelby Street Detroit 26, Mich.	Mr. Arthur J. Fushman, Manager
HOUSTON REGION See Attachment 2	Rusk Building 723 Main Street Houston 2, Tex.	Mr. W. L. Phillips, Manager
KANSAS CITY REGION Kansas Oklahoma	Federal Reserve Bank Bldg. Kansas City 6, Mo.	Mr. Albert L. Strong, Manager
LOS ANGELES REGION Arizona California (See Attachment 3)	Pacific Mutual Building Los Angeles 14, Calif.	Mr. Hector C. Haight, Manager
MINNEAPOLIS REGION Minnesota Wisconsin North Dakota South Dakota Michigan (upper peninsula)	McKnight Building Minneapolis 1, Minn.	Mr. China R. Clarke, Manager
NEW ORLEANS REGION Louisiana Mississippi	Union Building 837 Gravier Street New Orleans 12, La.	Mr. George W. Robertson, Manager
NEW YORK REGION New York New Jersey	Federal Reserve Bank Bldg. 33 Liberty Street New York 5, N. Y.	Mr. Thomas J. Ahern, Jr., Manager
OMAHA REGION Wyoming Nebraska	Woodmen of the World Bldg. Omaha 2, Nebr.	Mr. Herbert S. Daniel, Manager
PHILADELPHIA REGION Pennsylvania Delaware	1528 Walnut Street Philadelphia 2, Pa.	Mr. E. Raymond Scott, Manager
PORTLAND REGION Washington Idaho Montana Oregon	Pittock Block Portland 5, Oreg.	Mr. William Kennedy, Manager
RICHMOND REGION Maryland Virginia Washington, D. C.	Richmond Trust Building 7th and Main Street Richmond 19, Va.	Mr. W. B. Cloe, Manager
ST. LOUIS REGION Missouri Kentucky Arkansas	Landreth Building 320 N. Fourth Street St. Louis 2, Mo.	Mr. B. Glenn Culledge, Manager
SAN ANTONIO REGION See Attachment 4	Alamo National Building San Antonio 5, Tex.	Mr. L. C. Andrews, Manager
SAN FRANCISCO REGION Nevada California (See Attachment 5)	200 Bush Street San Francisco 4, Calif.	Mr. John S. McCullough, Jr., Manager
SALT LAKE CITY REGION Utah	Dooly Building Salt Lake City 1, Utah	Mr. Gerald L. Leaver, Manager

Attachment 1—Dallas Region

State of Texas (Northern and Western Parts)

Counties of:			
Andrews	Crane	Hale	Leon
Archer	Crockett	Hall	Limestone
Armstrong	Crosby	Hamilton	Lipscomb
Bailey	Culberson	Hansford	Loving
Baylor	Dallam	Hardeman	Lubbock
Bell	Dallas	Harrison	Lynn
Borden	Dawson	Hartley	McCulloch
Bosque	Deaf Smith	Haskell	McLennan
Bowie	Delta	Hemphill	Marion
Briscoe	Denton	Henderson	Martin
Brown	Dickens	Hill	Menard
Burnet	Donley	Hockley	Midland
Callahan	Eastland	Hood	Milam
Camp	Ector	Hopkins	Mills
Carson	Ellis	Howard	Mitchell
Cass	El Paso	Hudspeth	Montague
Castro	Erath	Hunt	Moore
Childress	Falls	Hutchinson	Morris
Clay	Fannin	Irion	Motley
Cochran	Fisher	Jack	Navarro
Coke	Floyd	Jeff Davis	Nolan
Coleman	Foard	Johnson	Ochiltree
Collin	Franklin	Jones	Oldham
Collingsworth	Freestone	Kaufman	Palo Pinto
Comanche	Gaines	Kent	Panola
Concho	Garza	King	Parker
Cooke	Glasscock	Knox	Parmer
Coryell	Gray	Lamar	Pecos
Cottle	Grayson	Lamb	Potter
	Gregg	Lampasas	Rains

Attachment 1—Dallas Region—Continued

Randall	Schleicher	Swisher	Ward
Reagan	Scurry	Tarrant	Wheeler
Red River	Shackelford	Taylor	Wichita
Reeves	Sherman	Terry	Winkler
Roberts	Smith	Throckmorton	Wilbarger
Robertson	Somervell	Titus	Williamson
Rockwall	Stephens	Tom Green	Wise
Runnels	Sterling	Upshur	Wood
Rusk	Stonewall	Upton	Yoakum
San Saba	Sutton	Van Zandt	Young

Attachment 2—Houston Region

State of Texas (Southeastern Part)

Counties of:			
Anderson	Fayette	Liberty	Shelby
Angelina	Fort Bend	Madison	Trinity
Austin	Galveston	Matagorda	Tyler
Bastrop	Grimes	Montgomery	Victoria
Brazoria	Hardin	Nacogdoches	Walker
Brazos	Harris	Newton	Waller
Burleson	Houston	Orange	Washington
Calhoun	Jackson	Polk	Wharton
Chambers	Jasper	Refugio	
Cherokee	Jefferson	Sabine	
Colorado	Lavaca	San Augustine	
	Lee	San Jacinto	

Attachment 3—Los Angeles Region

State of California (Southern Part)

Counties of:			
Imperial	Los Angeles	San Bernardino	Ventura
Inyo	Orange	San Diego	
	Riverside	Santa Barbara	

Attachment 4—San Antonio Region

State of Texas (Southern Part)

Counties of:			
Aransas	Duval	Kerr	San Patricio
Atascosa	Edwards	Kimble	Starr
Bandera	Frio	Kinney	Terrell
Bee	Gillespie	Kleberg	Travis
Bexar	Goliad	La Salle	Uvalde
Blanco	Gonzales	Live Oak	Val Verde
Brewster	Gaudalupe	Llano	Webb
Brooks	Hayes	McMullen	Willacy
Caldwell	Hildalgo	Mason	Wilson
Cameron	Jim Hogg	Maverick	Zapata
Comal	Jim Wells	Medina	Zavala
De Witt	Karnes	Nueces	
Dimmit	Kendall	Presidio	
	Kenedy	Real	

Attachment 5—San Francisco Region

State of California (Northern Part)

Counties of:			
Alameda	Kings	Placer	Sonomo
Alpine	Lake	Plumas	Solano
Amador	Lassen	Sacramento	Stanislaus
Butte	Madera	San Benito	Sutter
Calaveras	Marin	San Francisco	Tehama
Colusa	Mariposa	San Joaquin	Trinity
Contra Costa	Mendocino	San Luis Obispo	Tulare
Del Norte	Merced	San Mateo	Tuolumne
Eldorado	Medoc	Santa Clara	Yolo
Fresno	Mono	Santa Cruz	Yuba
Glenn	Monterey	Shasta	
Humboldt	Napa	Sierra	
Kern	Nevada	Siskiyou	

U. S. MARITIME COMMISSION

Territory	*Address*	*Other Information*
	(For Ships)	
Entire continental States.	United Room 4078, Commerce Bldg., Washington, D. C.	Capt. E. J. Moran, Assistant Deputy Administrator for Small Vessels Phone: EXecutive 3340 Ext. 55
	(For other Maritime Property)	
Entire continental States.	United Room 6220, Commerce Bldg., Washington, D. C.	Mr. E. W. Gorman, Assistant to the Director of the Procurement Division Phone: EXecutive 3340 Ext. 1050

EXHIBIT III TO REGULATION NO. 1

This Exhibit consists of three parts: (1) Instructions covering preparation of report of surplus property; (2) Form SWPA–1; and (3) Form SWPA–1 (a) (Continuation Sheet).

INSTRUCTIONS COVERING PREPARATION OF REPORT OF SURPLUS PROPERTY

(Forms SWPA–1 and SWPA–1 (a))

Forms to Be Used in Reporting Personal Property

1. The "Report of Surplus Property" (Forms SWPA–1 and SWPA–1 (a)) will be used as follows for reporting surplus personal property to the designated disposal agencies:

General Instructions

2. As the actual schedule of personal property items reported "Surplus" by reporting agency.

3. As the "cover-transmittal" sheet (block headings of Form SWPA–1 should be filled in as prescribed below) for supporting schedules prepared by means of mechanical accounting when the mechanical accounting form has been approved by the SWP Administrator. In such cases the columnar arrangement and design of the mechanical type of forms shall correspond generally with Form SWPA–1.

4. As the "cover-transmittal" sheet (block headings of Form SWPA–1 should be filled in so far as possible) for reporting personal property surplus as the result of terminated contracts on "contract termination inventory sheets" when such sheets meet all of the following requirements:

(a) Contain all descriptive and other data required by this regulation in columns "a" through "h" of Form SWPA–1.

(b) Have been previously approved as to form for use as supporting schedules by the SWP Administrator.

(c) Duplicate copies are submitted to the disposal agency.

(d) The total number of lines for property items reported as surplus on the "contract termination inventory sheets" (after lining out or otherwise deleting from such sheets any items disposed of by reason of contract settlements or otherwise) are stated on the covering Form SWPA–1.

5. The property listed on any one report shall be confined to property at a single location, to be reported to one disposal agency, and classified in a single major group (two digits) of Standard Commodity Classification (Government Printing Office, May 1943 and February 1944).

6. The "Report of Surplus Property" (and any supporting schedules) will be submitted in duplicate to the appropriate office of the designated disposal agency, for the region in which the property is located or other designated office listed in Exhibit II.

7. When Form SWPA–1 is used as the actual schedule of property (as in 2 above), "continuation sheets" Form SWPA–1 (a) will be used for all pages except the first page.

8. *Withdrawals:* An owning agency will report the withdrawal of property which it has previously reported as surplus by forwarding duplicate copies of complete (all blocks and columns filled in as when previously reported) Forms SWPA–1 and SWPA–1 (a) for such property withdrawn, the word "Withdrawal" will be entered conspicuously at the top and right-hand margin of such forms.

Block and Column Instructions

To—State the name and address (including street, city, zone and state) of the office of the disposal agency to which the property is being reported.

Disposal Agency Number—For use by disposal agency only.

From—State the name and address (including street number, city, zone and state) of the office at which the report was prepared. Always show department, bureau, office or other similar sub-division involved. Also, if different, state agent or office and address to which shipping instructions should be sent.

Location—State the address (including street number, city, zone and state) at which the property is located and the title or other identification of the property custodian.

Authorized Reporting Official—The signature of the reporting officer approving the report of surplus property shall appear in this space on the original form and his typewritten name on all copies of the form.

Title—Enter the title of the "authorized reporting official" described above.

Reporting Agency Number—Enter the report number assigned by the reporting agency to identify each report.

Standard Commodity Classification Code Number—Enter the code number (two digits) for the major group of Standard Commodity Classification covered by the report.

Page Number __ of—Identify each page and state total number of pages in each report.

Report Date—Enter date report is forwarded to disposal agency.

Total Cost This Report—The sum of all amounts in column "h" (total cost) of all pages of the report (and supporting schedules) will be determined and entered in this block.

(*a*) *Line Number*—Enter consecutive numbers (starting with "1" on each page) for each property item listed.

(*b*) *Description*—Describe each item in commercial terms, in sufficient detail for transfer or sale purposes, including customary trade specifications and descriptions ordinarily used in purchasing. When possible, include manufacturer's or vendor's catalog and catalog stock number.

State reporting agency's stock number in all cases where recorded in stock accounting records.

To the extent applicable, state color and brand. Also describe exactly the type of any containers or packages and the quantities in each.

In case of machine tools, other metal-working machinery and production equipment, give date of initial use, if possible, or approximate length of time of use; also show characteristics as follows:

(1) Type of machine, serial number and year built; (2) Maker's designation, work size capacity; (3) State if machine is complete with standard equipment as furnished by the manufacturer, and describe any extra attachments, special features, or mechanisms; (4) Power and type of drive (if electric, give particulars of motor, starter, including horsepower, voltage, and all other current characteristics).

All descriptions of much length should be written straight across columns (b) to (h) inclusive, making sure that the entries in all columns are clearly identifiable with the particular line number ((property item). *Leave a blank line space between line numbers* (for use of disposal agency).

(*c*) *Standard Commodity Classification*—The detailed classification code numbers for each item according to the Standard Commodity Classification (Gov't Printing Office, May 1943 and February 1944) will be entered by the reporting agency when it determines that such procedure is most practicable. In all other cases, the detailed code numbers will be entered by the disposal agency.

(*d*) *Condition*—Indicate condition of property by the following letter- number code:

Code	*Means:*	*Code*	*Means:*
N—New.		1—Excellent.	
E—Used_____reconditioned.		2—Good.	
O—Used_____usable without repair.		3—Fair.	
R—Used_____repairs required.		4—Poor.	
X—Items of no further value for use as originally intended but of possible value other than as scrap.			

NOTE.—Except in case of code X, a letter-number combination must always be used to describe condition: For example, N1 (That is, now, and in excellent condition); R3 (That is, used, minor repairs required).

(*e*) *Unit*—Indicate unit of measure for the container, package or other applicable customary sales unit, such as each, pounds, tons, dozen, gross, thousand, ream, bushel, feet, etc. Distinguished between long, short and metric tons. Standard clearly understandable abbreviations may be used.

(*f*) *No. of Units*—Specify the quantities of each item reported surplus in terms of the "unit" used in "e" above.

(*g*) *Unit Cost*—Estimated cost when actual cost is not known. Estimated unit costs shall be indicated by the prefix (E). In case of machine tools, other metal-working machinery and production equipment, enter unit cost f. o. b. manufacturer or vendor to owning agency.

(*h*) *Total Cost*—Compute total cost, i. e., "No. of Units" multiplied by "Unit Cost" equal "Total Cost."

ACKNOWLEDGMENT OF RECEIPT

The receipt of each "Report of Surplus" by the disposal agency will be acknowledged to the reporting office, e. g., by a post card notice stating the reporting agency's number, date of report, and the disposal agency's number.

Form SWPA-1 (a) 2-44

Form approved, Budget Bureau No. 16-R001.

UNITED STATES OF AMERICA
SURPLUS WAR PROPERTY ADMINISTRATION
REPORT OF SURPLUS PROPERTY

CONTINUATION SHEET—Page No. ..... of .....

Disposal agency No. ..... Reporting agency No. .....

Line No. (a)	Description (b) (Leave blank)	Standard Commodity Classification (c)	Condition (d)	Unit (e)	Number of Units (f)	Unit Cost (g)	Total Cost (h)

Form SWPA-1 2-44

Form approved, Budget Bureau No. 16-R001.

UNITED STATES OF AMERICA
SURPLUS WAR PROPERTY ADMINISTRATION
REPORT OF SURPLUS PROPERTY

TO: Name and address of Regional Office of Disposal agency including street, city, zone, and State.

FROM: Name and address of Reporting Office including street, city, zone, and State.

LOCATION: Custodian and address at which property is located.

Standard Commodity Classification Code No.
Group
Page No. ..... of .....
Report date
Total cost this report

Disposal agency No.: Authorized Reporting Official Reporting agency No.:

(Signature) (Title)

(Leave blank)

Line No. (a)	Description (b)	Standard Commodity Classification (c)	Condition (d)	Unit (e)	Number of Units (f)	Unit Cost (g)	Total Cost (h)

INSTRUCTIONS FOR PREPARATION OF REPORT OF SURPLUS PROPERTY, FORMS SWPA–1 AND SWPA–1(A)

The property listed on any one report shall be confined to property at a single location, to be reported to one disposal agency, and classified in a single major group (two digits) of Standard Commodity Classification (Government Printing Office, May 1943 and February 1944).

If used to report withdrawals, the word "Withdrawal" will be entered conspicuously at top and right-hand margin of each form.

FROM.—Include department, bureau, or similar subdivision. Also, if different from reporting office, state agent or office and address to which shipping instructions should be sent.

LOCATION.—Include title or other identification of property custodian.

STANDARD COMMODITY CLASSIFICATION CODE NUMBER.—Enter the code number (two digits) for the major group of Standard Commodity Classification covered by the report.

LINE NUMBER.—Enter consecutive numbers (starting with "1" on each page) for each property item listed.

DESCRIPTION.—Describe each item in commercial terms in sufficient detail for transfer or sale purposes, including customary trade specifications and descriptions used in purchasing. Descriptions of much length should be written straight across columns (b) to (h) inclusive; entries in all columns shall be clearly identifiable with the related line number (property item). See separate instructions.

Leave a blank line space across all columns between successive line numbers or property items.

STANDARD COMMODITY CLASSIFICATION, COLUMN (c).—Detailed classification code will be entered by reporting agency when it determines that such procedure is most practicable. In all other cases, the detailed code will be entered by the disposal agency.

CONDITION.—Indicate condition of property as prescribed by separate instructions.

UNIT.—Indicate unit of measure for container, package, or other customary sales unit, such as each, doz., ft., bbl., etc. Distinguish between long, short, and metric tons. Standard, clearly understandable abbreviations may be used.

UNIT COST.—Estimate cost when actual cost is not known. Estimated unit costs shall be indicated by the prefix (E). In case of machine tools, other metal working machinery, and production equipment, enter unit costs f. o. b. manufacturer or vendor.

SURPLUS WAR PROPERTY ADMINISTRATION—SUPPLEMENT NO. 1 TO REGULATION NO. 1

SCOPE OF SUPPLEMENT

This Supplement has three primary purposes:

(1) To extend the effectiveness of the Administration's Regulation No. 1, dated May 8, 1944, as hereby amended, to surplus war property of all agencies, with the exceptions herein stated.

(2) To amend Regulation No. 1 in certain respects which are rendered desirable by its extension to cover surplus war property of all agencies.

(3) To amend Regulation No. 1 in additional respects found appropriate as the result of experience and by expanding its scope to include real estate not previously covered.

This Supplement shall become effective on August 1, 1944.

EFFECTIVENESS

Regulation No. 1, as hereby amended, is hereby made effective with respect to surplus war property of all agencies, with the following exceptions and qualifications which are subject to change by further regulations:

(1) The Administration does not deem it feasible to assign to the disposal agencies herein named surplus war property of the Tennessee Valley Authority with respect to which that corporation has a statutory power and duty of disposal. That corporation, however, (a) shall coordinate its disposal policies and procedures with those of the disposal agencies hereunder so as to avoid competitive sales, (b) shall report surplus war property to the appropriate disposal agency for disposition whenever it deems such reporting consistent with its statutory duties and desirable in the interests of coordinated disposal, and (c) shall report to the appropriate office of the appropriate disposal agency, in such manner and at such times as each such disposal agency shall direct, all dispositions which would be under the jurisdiction of such disposal agency, or would be reported to such disposal agency, if this regulation were fully effective with respect to Tennessee Valley Authority.

(2) The Administration does not deem it feasible to assign to the disposal agencies herein named surplus war property in the possession or control of the foreign establishments of the State Department, when disposed of abroad in accordance with Section IV–5 of the Foreign Service Regulations of the State Department.

(3) By direct action without formal amendment to this regulation, the Administration may exempt surplus war property, or any type or class thereof, in the control of any agency from the operation of some or all of the provisions hereof.

AMENDMENTS

Regulation No. 1 is hereby amended as follows:

(1) Part I B (1) is amended to read as follows:

"(1) All industrial real property, and all other real property of every character of which the owning agency is the War Department, the Navy Department, the United States Maritime Commission or Reconstruction Finance Corporation or a subsidiary thereof, including buildings and fixtures, other than real property disposed of under part I C, I E, or I F (2) hereof."

(2) Part I E is amended to read as follows:

"E. *National Housing Agency.*—There is hereby assigned to the National Housing Agency for disposition all surplus war property of the class of housing property. Housing property shall be deemed to include community facilities financed through the National Housing Agency which are located on the sites of, or erected for or used in connection with, housing projects, in cases where, due consideration being given to the adjoining community's rights in or partial use of such facilities, disposition thereof in conjunction with the disposition of the housing project is deemed by the National Housing Agency to be desirable and in the public interest. Housing property shall not be deemed to include vacant land, or structures other than houses, remaining after the houses of a housing project have been removed, demolished or otherwise disposed of."

(3) Part I F is amended to read as follows:

"F. *Federal Works Agency.*—There is hereby assigned to the Federal Works Agency for disposition all surplus war property of the following classes:

(1) All non-industrial real property of every character, including buildings and fixtures, other than that disposed of under part I B or I E hereof.

(2) All community facilities financed through the Federal Works Agency.

(4) Part II C (1) is amended by inserting the following sentence between the first and second sentences of subparagraph (b): "All reports of surplus war property which is non-industrial real property shall be made on Form SWPA–5 which shall be used in the manner set forth in the instructions accompanying such form."

(5) Part II C (2) (a) is amended by changing the proviso therein so as to read as follows: *Provided, however,* That (a) termination inventory property located within the continental United States, its Territories and possessions may be reported to the appropriate regional office of Reconstruction Finance Corporation, and (b) where it proves impracticable to make a sufficiently complete segregation of the various classes of supply property of the Army or Navy similarly located, this regulation shall be deemed to be complied with if such supply property is reported to the appropriate regional office of the Procurement Division of the Treasury Department;"

(6) Part II is further amended by adding the following paragraph to the end thereof:

"D. *Where Owning Agency is Disposal Agency.*—Where an owning agency determines property to be surplus to its needs and responsibilities, and such surplus war property is of a class which is assigned to that same agency as a disposal agency hereunder, the reporting procedures set forth above shall not be mandatory; provided, however, that adequate book records shall at all times be maintained, in a manner submitted to and approved by the Administration, clearly segregating from all other property under the control of the agency, property which it has determined to be surplus and which it holds for disposition pursuant to this regulation, and that information as to property so held shall be made available for inspection, circulated and reported in the same manner as information with respect to surplus war property declared to it by other owning agencies. For purposes of this provision, the subsidiaries of Reconstruction Finance Corporation through which that Corporation acts in dispositions hereunder, and that Corporation itself, may be treated as a single agency."

(7) Part III C is amended by adding at the end thereof the following paragraph:

"(6) *Miscellaneous.*—Owning agencies may dispose of property produced as a result of industrial, research, agricultural or livestock operations, or residual to any public works construction or maintenance project, carried on by them, to the extent authorized by existing law, under established procedures and methods of the agency, if such procedures or methods have been filed with the Administration. Such sales shall be reported to the appropriate disposal agency in such manner and at such times as such disposal agency shall direct."

(8) Part III E is amended by adding the following subparagraph at the end of paragraph (2):

"(c) In the case of surplus real property the owning agency will protect and maintain the property until disposed of by the disposal agency, unless the disposal agency shall theretofore assume responsibility for such protection and maintenance. Accountability for such property will remain in the owning agency until such disposition or assumption of responsibility by the disposal agency."

(9) Part VIII is amended by adding the following sentence at the end thereof: "Except in cases of withdrawal of property by the owning agency pursuant to part III D (2) hereof, disposal agencies shall transfer surplus war property to acquiring agencies at the fair value thereof as fixed by the disposal agency, unless transfer without reimbursement or transfer of funds is specifically authorized by law."

(10) Exhibit I is amended as follows:

(a) In Group 19, Chemicals, the entire assignment of property to the Procurement Divislon of the Treasury is deleted.

(b) In Group 32, Electrical Machinery and Apparatus, the assignment of fuses to the Procurement Division of the Treasury Department is changed from 32 514 Plug Fuses" to "32 51 Fuses."

(c) In Group 57, Indicating, Recording and Controlling Instruments and Accessories except watches and clocks, the assignment of thermometers to the Procurement Division of the Treasury Department is changed from "57 11 Thermometers" to "57 112—Glass Stemmed Laboratory Thermometers; 57 113—Glass Stemmed Clinical Thermometers; 57 114—Household and Commercial Thermometers; 57 119—Thermometers Not Elsewhere Classified."

(d) In Group 65, Drugs and Medicines, the entire assignment of property to Reconstruction Finance Corporation is deleted.

W. L. CLAYTON, *Administrator.*

WASHINGTON, D. C., July 26, 1944.

SURPLUS WAR PROPERTY ADMINISTRATION REGULATION NO. 2

SCOPE OF REGULATION

This regulation establishes policies to be carried out by Reconstruction Finance Corporation in the disposal of surplus real estate, other than industrial real estate, assigned to it for disposal by the Administration's Regulation No. 1 as supplemented effective August 1, 1944.

The policies here stated are thus not made applicable to disposals of surplus industrial plants, housing property, or community facilities. Such disposals present special problems with which the appropriate disposal agencies are familiar, and in some instances are governed by special statutory provisions.

The principles embodied in this regulation are nevertheless believed to be basically sound in connection with disposals of all types of surplus real estate, and it is recommended that they be observed in the disposal of industrial plants, housing property and community facilities to the extent consistent with the special problems and statutory requirements governing such disposals.

I. BASIC PRINCIPLES

A. *Objectives.*—In disposing of surplus war property consisting of real estate other than industrial, Reconstruction Finance Corporation shall seek to achieve the following objectives:

(1) To sell as promptly as possible at current values without undue disruption of the market.

(2) To sell outright, using leases only as temporary measures and reserving the right of Government recapture only if national defense so requires.

(3) To sell in family-sized parcels and to purchasers who will themselves put the land to productive use.

(4) To give former owners an opportunity to repurchase their land at current market value.

(5) To avoid sales to speculators or persons planning to combine small tracts into large ones for speculative purposes.

II. RELATIONS WITH GOVERNMENT AGENCIES

A. *Consultation and Assistance.*—Reconstruction Finance Corporation shall request the War Department, the Navy Department, the Department of Justice, the Department of Agriculture, the Department of the Interior, the Public Buildings Administration, the National Housing Agency, the Civil Aeronautics Administration, and such other agencies as Reconstruction Finance Corporation may from time to time select, each to designate a representative to serve on a Surplus Real Estate Advisory Committee to give advice, suggestions, and recommendations to Reconstruction Finance Corporation with reference to the problems of real estate disposal. Reconstruction Finance Corporation may also call upon other Federal agencies for the performance of appropriate functions in connection with a disposal program or for the temporary assignment of technical personnel, on a loan reimbursable basis, for employment under Reconstruction Finance Corporation supervision. Procedures shall be developed for consultation and cooperation of field agencies.

B. *Transfers to Federal Agenices.*—(1) Surplus land which has been used by an owning agency by permit from another Federal agency, shall be returned to the original Federal agency as soon as practicable. Such lands, however, which have Government owned improvements thereon, need not be returned to the original Federal agency until dispostion has been made of the improvements.

(2) (*a*) Surplus land, upon request and proper authorization from another Federal agency, shall be transferred to the requesting agency; arrangements shall be made for suitable notice of the availability of surplus lands to agencies which seem likely to be interested.

(*b*) Submarginal and marginal lands, in certain instances, may be temporarily withheld from the market and called to the attention of the Federal agency which is usually interested or which usually administers such land, in order that it may conduct an investigation and request transfer to it of such land.

(*c*) Surplus lands which are intermingled with, contiguous or proximate to Federal land-use projects and which are of the same general character as the original Federal project and suitable for inclusion therein, may be transferred to the Federal agency administering the primary area upon receipt of request and proper authorization. Such intermingled land further shall be temporarily withheld from sale and called to the attention of the interested Federal agency in order that it may conduct an investigation and request such transfer.

(*d*) Transfers made pursuant to paragraph 2 (*a*), 2 (*b*) or 2 (*c*) above shall be made for a reimbursable amount representing the fair market value, as determined by the Reconstruction Finance Corporation, unless a transfer without reimbursement or transfer of funds is valid under law.

(3) In general where restoration of lands, which are to be returned to other Federal agencies, has not been effected by the owning and declaring agencies, the Reconstruction Finance Corporation shall consult with the declaring agency and recommend to the Administration a course of action, when such appears feasible and the cost thereof reasonable, which may enable restoration of the land to be made.

C. *Transfers to State Agencies.*—Cases in which a preference to purchase or lease has been requested by States, counties, municipalities, or political subdivisions thereof, shall be referred by the Reconstruction Finance Corporation with full information and recommendations to the Administration for its decision.

III. COMMERCIAL SALES

A. *Disposal Plans.*—Reconstruction Finance Corporation shall establish procedures whereby, prior to disposing of any substantial land area, such as a camp site or air field, a general disposal plan for the entire area shall be prepared, with the recommendations of the appropriate field representatives, giving full consideration to views of local individuals, groups or organizations, and approved by Reconstruction Finance Corporation in Washington, D. C.

B. *Appraisals.*—All disposals shall be preceded by appraisals obtained by Reconstruction Finance Corporation Disposing Loan Agencies. Appraisals shall be made only by experienced individuals who are qualified to do such work. Such individuals may be staff appraisers of Reconstruction Finance Corporation Disposing Loan Agencies, individuals employed on a loan reimbursable basis from other Federal agencies or independent appraisers in private business. Individuals making appraisals shall be selected from the local territory in which

the land to be appraised is located. In sales projects, where a large number of tracts are to be sold, review spot check appraisals shall be made in the field and all appraisals shall be reviewed by qualified individuals designated as chief appraisers. The basis of appraising shall be the estimation of fair market value which may be defined as the highest price in terms of money which land will bring, if exposed for sale in the open market with reasonable time to find a purchaser, buying with a full knowledge of all the uses and purposes to which it is adapted and for which it is capable of being used. The estimated fair market value of any parcel of real estate shall be for its entirety although the estimated value of land and improvements may be indicated separately as a memorandum. All appraisal reports shall contain the appraiser's certification that he has no interest, direct or indirect, in the property or sale or disposition thereof. Appraisers shall be requested specifically to give full consideration to market values and trends in the territory where the property is located which he is appraising.

C. *Surveys, Plats, and Lay-outs.*—All real estate to be sold shall be adequately identified by legal description in order that prospective purchasers may know exactly where the property is located and its area. Surveys shall be made, when necessary, and markers or monuments will be placed on the land. While agricultural and other rural land should ordinarily be replotted into family-sized units, it is not contemplated that urban land will be replotted, unless replotting will permit more advantageous sales for the Government. Cooperation shall be maintained with local officials in the matter of providing for roads and other public utilities in replotting land. Orderly and complete disposal, maintenance of market stability and provision of full economic and productive opportunity to purchasers, may necessitate the subdividing of land into economic use or operating unit areas, without regard to the size of the original tracts acquired by the Government.

D. *Selection of Buyers.*—Every effort shall be made to find buyers who will purchase surplus real estate for use and not for speculation. Surplus land shall be sold only in usable units and shall not be sold in large blocks for speculation or to buyers who may wish to assemble large areas of land for speculative future use. When a land unit of sale approximates the original tract, the former owner shall ordinarily be granted a preference to buy at the fair market value as determined by the Reconstruction Finance Corporation. In other cases a preference shall usually be granted to former owners in the area being sold, to purchase any available tract at the fair market value as determined by the Reconstruction Finance Corporation. Such preferences shall be for a reasonable period following publication and written notice to the former owner at his last known address. Preferences referred to herein shall not be extended beyond actual former owners or surviving spouses.

E. *Sales Methods and Prices.*—(1) *Prices.*—Surplus war real estate shall be sold at fair market values or at prices representing a reasonable departure therefrom, regardless of its original cost.

(2) *Procedures.*—Wide publicity and advertising shall be given to all sales. Advertising shall be through local newspapers and publications and sale signs shall be posted on lands to be sold. Sales may be made by informal bids, sealed bids, or by negotiation. Negotiated sales are considered preferable and should be used more extensively than other methods. Bids shall be subject to rejection, if offers are not considered satisfactory. Adequate cash deposits will be required with each bid. Sufficient time shall be allowed, in the terms of bids or offers from purchasers, to permit adequate consideration and for determinations by the Reconstruction Finance Corporation Board of Directors. In the event it is determined that surplus real estate cannot be sold within a reasonable period, it may be leased by short-term leases in order to obtain the maximum return pending such time as it may be sold.

(3) *Brokers.*—Where, in its judgment, disposals will thereby be made to the better advantage of the Government, Reconstruction Finance Corporation is authorized to utilize the services of approved and established real estate brokers. No exclusive listings of real estate shall, however, be made with brokers. Brokers shall not be paid a commission for leasing or selling real estate to another Government agency or to an individual, firm or corporation sponsored by another Government agency. Commissions not to exceed established conventional rates, ordinarily paid in a particular community, may be paid to brokers who perform the service of producing buyers and negotiating sales to them. Such commissions shall be paid only after sales transactions have been consummated and a

further requirement shall be that the buyer will execute an affidavit to the effect that the broker to whom the commission is to be paid is the only broker whom he recognizes or had any dealings with in connection with the sale and that the broker did perform such services as are ordinarily performed by a broker in bringing buyer and seller together.

(4) *Salesmen.*—Sales managers and salesmen may be individuals in the employ of the Reconstruction Finance Corporation Loan Agencies, individuals employed on a loan reimbursable basis from other Federal agencies or independent brokers. Salesmen shall be thoroughly instructed as to their duties and manner of performance before entering upon such duties.

F. *Financing.*—The Reconstruction Finance Corporation shall assist in the financing and extending of credit terms to purchasers, calling to their attention the availability of the loan facilities of other Federal agencies, as well as life insurance companies, mortgage loan institutions and other private financing sources, and making such use of its own loan facilities as are consistent with its lending policies and needed to facilitate the disposal program. The amount of such financing and terms in each case, of course, will depend upon the loan policies of the agency or institution providing such accommodations. All sales, however, shall be firm and not speculative and adequate cash payments shall be required. Purchasers shall be required to provide insurance coverage to protect the interest of any mortgagee.

G. *Conveyances.*—All conveyances of surplus real estate shall be by the usual quitclaim deed or by other appropriate conveyance without representation or warranty. Purchasers may be permitted to copy or inspect any title papers which are in the possession of the Government, at their own expense and at a place designated by the Reconstruction Finance Corporation. Every facility now available to the Government shall be made available to purchasers to minimize the cost of title examination to them. Deeds may provide for a recapture clause in the event that land being conveyed may be required again by the Government in a future national emergency. Decisions as to whether conveyances will contain recapture clauses, shall be made after recommendations have been requested and received from the interested Government agencies such as War Department, Navy Department, Civil Aeronautics Authority, etc. In general, conveyance instruments shall be of such nature as to vest title in private ownership in order that real estate may be put back on a taxpaying status. Sales contracts, in which the Government retains title, may be made in exceptional cases when such procedure may be absolutely necessary. Such cases, however, shall be kept at a minimum.

H. *Records and Publicity.*—The Reconstruction Finance Corporation shall assemble and maintain adequate and comprehensive records which will indicate clearly the extent of investigation and analysis which it has made in developing disposal plans and in testing out the market prior to making sales. It shall also adopt procedures for keeping the public fully advised of its progress and plans with reference to the disposal of surplus real estate.

I. *Relations with Administration.*—The Administration shall be consulted prior to the making of any major changes in the organization of Reconstruction Finance Corporation for the handling of real estate disposal, or in its mechanics, policies or procedures for such disposal, and also prior to the making of any major disposals which may involve questions of policy or the establishment of a precedent.

W. L. CLAYTON, *Administrator.*

WASHINGTON, D. C., *July 26, 1944.*

SURPLUS WAR PROPERTY ADMINISTRATION REGULATION NO. 3

SCOPE OF REGULATION

By Regulation No. 1, Reconstruction Finance Corporation was designated as the disposal agency for surplus war property of the type generally described as capital and producers' goods. Property so assigned includes machine tools.

The purpose of this regulation is to establish a pricing policy for the sale by Reconstruction Finance Corporation of standard general-purpose machine tools which have been used and which it has available for disposal as surplus.

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The policy has been established on a fixed price basis so that prospective purchasers will be able to make current plans with reasonable certainty involving the purchase of surplus machine tools. The prices fixed are based on the original price of the machine tool at the plant of its manufacturer, depreciated over the period of its active use at rates which take into account, among other things, the usage which most such tools are undergoing in war production.

This regulation does not apply to special types of machine tools or to other production equipment.

This regulation shall become effective August 15, 1944. It is recommended that any arrangements made prior to that date for the sale of used standard general-purpose machine tools at prices differing from those set forth herein, be revised to conform to the prices herein set forth if they have not theretofore become contractually binding.

While this regulation applies only to sales of surplus machine tools, the Administration has been advised by the principal owning agencies that, in such sales of machine tools which have not been declared surplus as may be made by them, they intend to adhere to the prices herein set forth.

DEFINITION

"Standard general-purpose machine tools" are machine tools being currently produced and are types used in civilian production; they consist of those listed in the Standard Commodity Classification, Vol. I, Major Group 34, Code Number 34 11000 to 34 19900, inclusive, with the exception of Special Machine Tools designed for and used exclusively in the production of war material, such as:

Special gun reaming, rifling and chambering machines.
Gun boring and turning lathes.
Shell turning lathes.
Shell tappers.
Small arms ammunition machinery.
Special military tank manufacturing machine tools.
Special aircraft manufacturing machine tools.
Special shipbuilding machine tools.
Other special war production machine tools.

PRICE POLICY

All sales of used standard general-purpose machine tools, which have been declared surplus to Reconstruction Finance Corporation as disposal agency, shall be made at prices computed as follows, provided that all sales shall be made in conformity with all applicable War Production Board and Office of Price Administration regulations:

(1) The original price of the manufacturer of the machine tool, inclusive of electric equipment and standard accessories, shall be computed f. o. b. the plant of such manufacturer. If special tooling is to be sold with the machine tool, its original price shall be included, on the same basis.

(2) The period of active use of the machine tool shall be computed on the basis of the best information reasonably available. This period shall run from the estimated date the machine tool was originally put in use to the date of sale, if the machine tool is then still in use. If the machine tool is not in use at the time of sale, the period shall run to the estimated date when the machine tool became idle.

(3) The price computed pursuant to paragraph (1) above shall be used as a base. The price at which the machine tool shall be offered for sale shall be computed by applying to that base the percentage appearing in Exhibit I to this regulation opposite the period of active use of the machine tool computed pursuant to paragraph (2) above. The percentage appearing in column B of Exhibit I shall be applied where the buyer is the person who is using the machine tool at the time of sale or, if the machine tool is then idle, the person who last used it, and the percentage appearing in column A shall be applied where the sale is to any other buyer.

(4) The price computed pursuant to paragraph (3) above shall be the sale price f. o. b. cars or trucks at the location of the machine tool at the time of sale.

W. L. CLAYTON, *Administrator.*

WASHINGTON, D. C., *August 9, 1944.*

Exhibit I

Period of active use	A	B	Period of active use	A	B
	Percent	*Percent*		*Percent*	*Percent*
Less than 1 month	85.0	90.0	19 months	58.8	63.8
1 month	82.5	87.5	20 months	58.0	63.0
2 months	80.0	85.0	21 months	57.2	62.2
3 months	77.5	82.5	22 months	56.4	61.4
4 months	75.0	80.0	23 months	55.6	60.6
5 months	72.5	77.5	24 months	54.8	59.8
6 months	70.0	75.0	25 months	54.0	59.0
7 months	69.0	74.0	26 months	53.2	58.2
8 months	68.0	73.0	27 months	52.4	57.4
9 months	67.0	72.0	28 months	51.6	56.6
10 months	66.0	71.0	29 months	50.8	55.8
11 months	65.2	70.2	30 months	50.0	55.0
12 months	64.4	69.4	31 months	49.2	54.2
13 months	63.6	68.6	32 months	48.4	53.4
14 months	62.8	67.8	33 months	47.6	52.6
15 months	62.0	67.0	34 months	46.8	51.8
16 months	61.2	66.2	35 months	46.0	51.0
17 months	60.4	65.4	36 months (or more)	45.2	50.2
18 months	59.6	64.6			

The CHAIRMAN. We are very much obliged to you, Mr. Clayton.

Mr. CLAYTON. Thank you, Mr. Chairman and gentlemen. I am sorry to have taken so long.

The CHAIRMAN. We have a representative from the War Department who wishes to be heard for 10 minutes.

Senator O'MAHONEY. Excluding questions?

The CHAIRMAN. That is right.

STATEMENT OF WILLIAM L. MARBURY, WAR DEPARTMENT

Mr. MARBURY. Mr. Chairman and gentleman; in the absence of Judge Patterson, who is overseas, and of General Clay, who is obliged to be out of town today, I have been assigned the duty of briefly stating to the committee the views of the War Department on S. 2065, which we first saw in its present form about 48 hours ago.

We fully endorse all of the proposed amendments which Mr. Clayton has offered here. We think that they will improve the bill, that they will make it more workable, and that they will make our task as the principal owning agency—if you exclude plant facilities—and the agency with the largest responsibility in the matter of the disposal of contractor inventory much easier than if the amendments were not adopted.

We collaborated with Mr. Clayton in the preparation of the bill which was introduced in the House as the Colmer bill, and which is now under debate on the floor there in substantially the form in which it was introduced, and we have in every respect endorsed that bill, and I think that it is an excellent and workable piece of legislation.

We believe that as amended, in accordance with the suggestions of Mr. Clayton, that this bill would likewise be an excellent and workable piece of legislation.

There are some provisions which particularly pleased us in the War Department, because of the problems which we are going to have to face in connection with the disposal of surplus property, and of property, some of which is not declared surplus, but which comes on the

shadow line, particularly contractor inventory. The first point in which we have interest and on which we emphasize the views expressed by Mr. Clayton is the proposal that there be some clarification of the mandate that normal channels of trade and commerce be used.

For example, if a contractor has steel which he has acquired for the purpose of landing mats and he is in the business of stove manufacturing, we will terminate his contract and he can use the steel in stove manufacturing.

Do we have to take the steel from him and let it go back to the manufacturer and let it go to the jobbers and others and let each add a profit to it? Isn't it sensible to let it stay where it is?

Take motors used in the manufacture of refrigerators that are in the man's plant. At present he is manufacturing some war product. Why shouldn't he be permitted to take those motors over if he can use them right there? As a matter of fact, some proposals of this sort have been from time to time advanced by trade associations and have been strongly resisted by the War Department among others on the ground that the effect would be to frequently simply give an unearned and unnecessary profit to the middlemen along the line. For that reason we hope that you will accept the amendment Mr. Clayton has proposed.

Senator AUSTIN. What paragraph is that, Mr. Marbury?

Mr. MARBURY. That was page 2 of this print of August 17.

Senator AUSTIN. That doesn't help me a bit.

Mr. MARBURY. The first paragraph of the August 17 print, page 2.

Senator AUSTIN. It is page 3 of the comparative print and the substituted language for the word "normal" is "commercial distribution."

Mr. MARBURY. "To the extent consistent with efficient and economic distribution."

Senator AUSTIN. The saving words are not "commercial distribution," but the other words "to the extent consistent with efficient and economic distribution."

Senator MURRAY. Do you mean to say that change is necessary in order to permit contractors to dispose of the inventories that they may have on hand at the termination of the contract?

Mr. MARBURY. In many cases, no; in many cases, yes.

Take, for example, a cost-plus-fixed-fee contract where the property has been bought for the account of the Government and is the property of the Government. I question whether the Administrator would be able to permit us to sell the stuff in place or to the contractor himself in view of this declaration of policy.

Senator MURRAY. What does the contract-termination law provide with reference to the disposition of termination inventories that are on hand?

Mr. MARBURY. It provides nothing, sir.

Senator MURRAY. Does it contemplate that the inventory shall be removed immediately?

Mr. MARBURY. It provides for the plant clearance, but it provides nothing with respect to authority to dispose.

Senator O'MAHONEY. Were you present this morning when Mr. Clayton indicated his acquiescence to an addition which I suggested?

Mr. MARBURY. Yes.

Senator O'MAHONEY. You see no objection?

Mr. MARBURY. Oh, no; none whatosever. The next thing which we believe will be of assistance is the proposed new section 4 on page 8. The present bill contains no clear authority in the disposal agencies to dispose of property.

Senator AUSTIN. What section?

Mr. MARBURY. It is a new section on page 8 of the August 17 print. It was a substitute for the subsection (e) of the old section 4, and for the definition which appeared in the list of definitions under the term "disposal."

We think that those two provisions are much better, much clearer, and will eliminate doubts, and what I may call without meaning to criticize too much, defects in the draftsmanship of 2065 which are of importance.

We likewise think at the bottom of page 9 of the August 17 print, the new subsection (d)——

Senator MURRAY. What section is that?

Mr. MARBURY. Section 5 of the August 17 print, page 9, the new subsection (d), is a substantial improvement over the draftsmanship of 2065 in that it makes quite clear the authority of the agencies to issue regulations not inconsistent with the regulations of the Administrator.

That is quite important to us. We have our regulations and any doubt as to the validity of those provisions which are necessarily more detailed than what the Administrator would concern himself with, or of importance to us.

Senator O'MAHONEY. Is the War Department proceeding with the disposal of real estate independently of the Executive order?

Mr. MARBURY. I think not, no, sir; none whatsoever.

Senator O'MAHONEY. The statement was made——

Senator JOHNSON. I made the statement that the Army was disposing of agricultural lands and I have been informed that they are.

Mr. MARBURY. Senator, the question Senator O'Mahoney asked was "independent of the Executive order." The answer to that is "No."

Any disposition since the Executive order has been by designation and authority of Mr. Clayton.

Senator JOHNSON. Didn't Congress pass a law lifting some of the restrictions on the sale of lands?

Mr. MARBURY. Yes, sir; prior to the passage of the Executive order the War Department had authority under the act of July 2, 1940, I believe, and also under the Second War Powers Act——

Senator JOHNSON. That is what I am referring to.

Mr. MARBURY. To dispose of real estate acquired for purposes of war. We have exercised that. The Stevens Hotel in Chicago was sold under that authority.

Senator JOHNSON. When was the last sale you made?

Mr. MARBURY. I don't know the answer to that, sir, but there has been none since Mr. Clayton's office has been set up except at his direction.

Senator JOHNSON. You have done it since then as a disposal agency?

Mr. MARBURY. I am not sure of that; it is possible.

Senator JOHNSON. But you do have a real estate division?

Mr. MARBURY. Yes, sir; but that was set up for the purpose of acquiring and disposing.

Senator O'MAHONEY. The same agency. Colonel O'Brien was head of the agency which acquired the land and now he is head of the agency disposing of it.

Mr. MARBURY. But he acts with another hat on in that capacity.

Senator O'MAHONEY. To what extent do you suppose the War Department is disposing of land now while Congress is considering legislation?

Mr. MARBURY. I don't believe they are.

Senator O'MAHONEY. I think that would be a proper policy.

Senator JOHNSON. Do you mean directly and indirectly, both?

Mr. MARBURY. So far as I know the War Department has not sold any land. They had a proposed sale in Illinois which was stopped.

Mr. CLAYTON. Mr. Chairman, I think I can clear that up.

There was one tract of land of about 3,600 acres in Sangamon County, Ill., which the War Department was about ready to sell when the Executive order setting up the War Surplus Administration was issued. The War Department has done a great deal of work preparing this land for sale. It had been replotted, and they had contacted the former owners, and as the R. F. C. was not established to carry on in that particular capacity, I authorized the War Department to sell the land.

The CHAIRMAN. How much land was it?

Mr. CLAYTON. Three thousand six hundred acres, approximately.

The CHAIRMAN. How much did you pay for it?

Mr. CLAYTON. That I don't recall, Mr. Chairman. At any rate, when these bills were introduced in the House and the Senate, and a provision or amendment was made to the House bill to the effect that former owners of land should be given an opportunity to reacquire that land at the price at which they sold it, or not exceeding that price, I immediately ordered the sale of the property in Illinois stopped because I felt it would not be right to proceed when we would probably have legislation within 2 or 3 weeks.

The CHAIRMAN. The 3,600 acres were not sold?

Mr. CLAYTON. No, sir. At the time we stopped the War Department on the sale they had received applications from 20 former owners to reacquire the land, but they had not been accepted.

The CHAIRMAN. How much did we pay for the Stevens Hotel?

Mr. MARBURY. I don't know the answer, sir. I don't know the details of that transaction.

Colonel JOHNSON. I don't remember the price, but I saw a statement that on the sale of the Stevens Hotel the Government showed a saving over what it would have been if they leased the property. I think the saving was $500,000 or $600,000.

Mr. MARBURY. According to all accounts it was a satisfactory transaction.

Senator JOHNSON. I want to ask Mr. Clayton one more question. Do I understand, Mr. Clayton, that since the Executive order has been issued, neither your office nor the Army nor the Navy have disposed of any lands under the 1940 act of Congress?

Mr. CLAYTON. I believe no agricultural lands. Some lands have been disposed of in connection with some plants that were sold, but I think no agricultural lands.

Senator HILL. Under that Executive order neither the War Department nor Navy Department could dispose of any lands without your consent, could they?

Senator CHANDLER. Except for the War Powers Act the War Department had no authority.

Mr. MARBURY. Except for the act of Congress.

Senator CHANDLER. Mr. Clayton, may I ask you a question?

Mr. CLAYTON. Certainly.

Senator CHANDLER. Who was going to buy the 3,600 acres in Illinois? Was that to be sold to one party or what?

Mr. CLAYTON. We had issued regulations that all land must be sold in family-sized plots, and that the disposal agency should avoid selling several plots to the same purchaser and should, as far as possible, make the sales to people who were going to live upon the land and cultivate it.

Senator CHANDLER. And that rule was being followed in the proposed sale in Illinois?

Mr. CLAYTON. Yes, sir. we had all the land appraised and we offered it to the former owners at the present appraisal price or value. Some was appraised at more than they sold it for and some at less.

One I remember was appraised at $34 an acre less than the man sold to the Government for.

We had offered the land to the former owners at the present appraised price and we had 20 individual acceptances up to the time we canceled the sale.

Mr. MARBURY. The next proposed amendment is the one which of all is most vital to the War Department, that is, the revision of subsections (b), (c), and (d) of section 8.

The CHAIRMAN. What page is that?

Mr. MARBURY. Pages 12 and 13. The War Department believes that the responsibility for the determination of what property is necessary for the waging of war and for the national defense in time of peace, rests squarely upon it. It is the responsibility of the War Department to meet the duties which have been imposed upon it within the limits of the appropriation fixed by Congress.

In time of war it could scarcely be argued that the quantities of the materials necessary for the conduct of war could be determined by anyone not familiar with security conservation and who had no access to information which might come through channels of military intelligence or other information of a highly secret character.

For example, as a simple illustration: At one time there were some rumors about excessive stocks of gasoline being accumulated at ports on the Atlantic coast. Three weeks later the invasion of north Africa began.

It would have been impossible to disclose the stocks that were there or the amounts that were there, or to justify why those great accumulations had taken place.

Similarly, before the invasion of Attu, stocks of certain types of clothing were gathered. Nobody but the Joint Chiefs of Staff or a very few people who needed to know, could possibly explain the reason for the accumulation of these stocks. The Joint Chiefs of Staff have set up a production survey committee whose responsibility it is to see that the acquisition of material is not in excess of that needed for the mission with which the armed services are charged.

I think that nobody would contend that in time of war anything else should be done.

In time of peace the tendency is to hold the armed services down to the barest of supplies so that maneuvers take place with dummy equipment, and so forth.

In the House bill the provision which is now (b) is adopted, and it seems to us it gives the most effective control over any improper accumulation of surpluses. It charges the Administrator with the duty of reporting to Congress. It is the most effective way to prevent the accumulation of proper surpluses. The Administrator is charged in any case, when he believes the agencies are accumulating improper surpluses, to notify Congress.

I can't imagine anything more effective in his hands than that weapon.

It also gives the Administrator the authority to obtain such information as he desires as to surplus property, and on other property it imposes the duty on the agency to furnish information reports consistent with national security.

The provisions in 2065 would confer upon the Administrator and Bureau of the Budget power which the Administrator does not desire, which he could not exercise, and which if he did exercise would cause great confusion. Certainly, if he undertook a system of classifications, inventory, record, and stock controls it would cost millions of dollars and cause great confusion in the administration of the Army supply program.

We feel that the amendment that Mr. Clayton has suggested is vital and we endorse it.

Senator CHANDLER. Did you help prepare it?

Mr. MARBURY. No, sir; as a matter of fact, that was prepared in the Manasco committee, the Committee on Expenditures of the House, but it is very satisfactory to us.

Senator JOHNSON. I am glad to hear Mr. Marbury make the statement that he has. As I have studied very carefully S. 2065, I reached the conclusion that that paragrauh was vicious in the extreme, for the reasons that have been so well stated by Mr. Marbury, and I have this additional comment to make.

If you will read carefully the formula it follows I believe you will agree with me that it abrogates the constitutional power of Congress to provide for armies, because this is the way it acts.

The Administrator goes to the Army and tells them "You have got too many airplanes. You have some surplus property in the shape of airplanes." The War Department says that isn't true, and the dispute is referred to the President of the United States, and the President of the United States determines whether or not there is surplus, and if he determines there is a surplus the property is sold and the Administrator takes charge of it.

I claim that only the Congress should have such a power if anyone should exercise it. Of course, we can trust our Presidents, no matter what President may occupy the office, but there is no reason that I can see for Congress turning that power over to the executive department, at least not in peacetime.

Congress ought to at least hang on to its constitutional powers. That is an abrogation of Congress's constitutional powers to equip and maintain an Army.

Senator HILL. That was not displeasing to you, Mr. Marbury?

Mr. MARBURY. No, sir.

Senator AUSTIN. It supports the armies and maintains the navies.

Senator JOHNSON. I couldn't get the language right but you got the meaning.

Senator AUSTIN. Yes; very clearly.

Mr. MARBURY. The next provision in which we are interested is the provision of the new section 11 on page 18. That does no more than to codify the present practice that has been followed for many years, and it broadens it somewhat as to donations. There are various special laws, maybe 20 or 30, authorizing us to make donations of property of this sort.

Then, as to the destruction of property, there has simply been a recognized practice that goes back, I don't know how long, that if it is determined administratively that it cannot be disposed of and it is not worth transporting and you can't give it to anyone you are authorized to give it to, you can destroy it.

For instance, garbage. Garbage sometimes can be sold. If you can't sell it you dump it into the river.

And then the shavings that occur as a result of building construction. Sometimes that can be sold and sometimes it is piled up and burned. That has been the practice for many years, and while, as Senator O'Mahoney said this morning, every time they dump some shavings on a bonfire somebody says, "There is all the lumber being burned up by the Army," investigations have disclosed, I think, that it is something that is valueless and nobody would take.

On one occasion Mr. Whittington, of the House Committee on Expenditures, asked me to point to the provision that permits us to do it, and I never have been able to do it although it has been done, for I think, 75 years. I think it would be well to have such a provision.

Senator O'MAHONEY. Would it be convenient for you to give the committee a citation to the laws which now give you the authority to donate any property?

Mr. MARBURY. I think I have a list available. The Red Cross and various other things.

We have a special interest in the elimination of section 16, relating to options. Some of these options were given by the Defense Plants Corporation and some were given by us. They were approved by the National Defense Advisory Committee, set up in 1940; they were highly publicized and they were the basis of the facilities expansion program of the Army.

Senator CHANDLER. Where is that?

Mr. MARBURY. Page 24. That has now been eliminated.

We think that provision, if it remains in, has two effects; first to cast doubt on every option's validity, and it will retard the reconversion very substantially, besides casting an unwarranted doubt on an act of the Government taken by public approval.

For instance, you install a machine tool in a plant and the contractor goes to a considerable expense in installing, and he is permitted to apply to purchase on depreciated value at the termination of the contract.

Senator HILL. They even have options on some of these plants, don't they?

Mr. MARBURY. Yes, sir; particularly when they were building on land of the contractor or near his plant.

The man would be asked to construct an addition to his plant. The Government would finance it and he would say "This is right across from my property. I want to be authorized to buy it."

As Mr. Clayton said this morning, the evidence is that very few of the options will be exercised because the price is too high. But we don't want to be put in the position of repudiating or threatening to repudiate the options on which these expansions were made, without which you would not have gotten supplies to break the war.

Senator O'MAHONEY. That provision is not in the House bill?

Mr. MARBURY. No, sir; it is not.

Senator HILL. Is there anything akin to this in the Johnson bill?

Senator JOHNSON. No; nothing at all.

Mr. MARBURY. The next provision is section 19 on page 32 of the August 17 print. That has the words "gross negligence" which Mr. Clayton has recommended be stricken from the bill.

As far as I can determine, when you are dealing with the sale of property, gross negligence could hardly be anything but a sale of the property at a valuation which some other person would deem to be shockingly low. As a matter of fact, a vast amount of property is going to be sold at prices which at first blush seem shockingly low.

A gage designed to take a particular measurement may cost $100 to construct and be sold for 75 cents because it has no value except for such a purpose.

We made an exhibit in the War Department of highly expensive tools and parts and their current valuation, and they show tremendous disparities. We are asking people to dispose of this stuff to get it back into the scrap market where it belongs, and they are very fearful of some legal liability. We have assured them that for errors of judgment they could be held to account by their superior officers, but they incurred no criminal or legal liability.

Senator JOHNSON. What page is that?

Mr. MARBURY. Page 32, line 6. This language would, I am afraid, make it impossible to continue that assurance and would have a very unfortunate effect because the men would say, "I know this is a reasonable price. I am familiar with all the circumstances, but how do I know somebody won't come along later and not knowing the circumstances, criticize me. I had better not sell it."

We are extremely fearful, especially with reference to disposing of contractor inventories, of the effect on disposition, and that means reconversion.

So we emphatically endorse Mr. Clayton's recommendation that the House provision be followed in that.

Senator O'MAHONEY. Do you mean to make any comment on the stock-pile provision?

Mr. MARBURY. I skipped that by accident.

Senator JOHNSON. Before you go to that, I want to ask a question.

Senator Ellender has been and is very much interested in preserving for municipalities airports located near municipalities that are to be abandoned, and he says that certain facilities have been installed there. If those facilities are to be taken out, the value of them will be almost nothing and perhaps won't care for their removal, and he has an amendment here he asked me to hand in for him with respect to that.

It is to provide temporarily for the operation by municipalities and other governmental units of airports abandoned or placed in a stand-by position by the Army or Navy Air Forces. I don't know whether that particular point you raised there with respect to gross negligence covers the point that Mr. Ellender has. But this is with respect to airports that have been abandoned. He doesn't want you to tear them up or destroy them.

Mr. MARBURY. Well, sir, I am not able to speak for the plans of the Air Forces with regard to that, but if they destroy any stand-by facilities of that sort I would be very much surprised. They may declare some surplus.

On the stock-pile provision, our position is this. The War Department, along with the Navy Department, believes that stock-piling legislation is a vital necessity. We believe with Mr. Clayton that it is a matter that calls for the most careful consideration by the Congress, and we have acquiesced in his view that he did not want the question injected in this bill and we have gone along with him in omitting any such provision.

If there is to be a provision in the bill, we believe that the provision that has been proposed here is not a wholly adequate one.

Senator O'MAHONEY. First, may I not ask you whether in your opinion the act of June 7, 1939, would not be an obstacle to the declaration of any of these commodities to be serviced by the War Department?

Mr. MARBURY. As to any that are in the stock pile, absolutely, sir. I have here two alternative drafts. If you are going to stick to the character of provision that is in 2065, then we think it should be modified in certain respects.

Senator AUSTIN. What section in 2065?

Mr. MARBURY. 17, sir, on page 25 of the August 17 print.

Senator AUSTIN. It appears at page 33 of the comparative print. It is out of order.

Mr. MARBURY. Yes, sir. If that is to be the basis of legislation at this time, that character of provision, then we feel the language should be modified to read as follows:

All Government-owned accumulation of strategic materials, including those owned by any Government corporation, shall be transferred upon request to the stock pile authorized by the act of June 7, 1939.

Senator O'MAHONEY. Isn't that a tacit admission that strategic and critical materials may be declared surplus?

Mr. MARBURY. This is to make it clear that they cannot be.

Senator O'MAHONEY. Read the last sentence again.

Mr. MARBURY (reading):

All Government-owned accumulations of strategic materials when determined to be surplus pursuant to this act.

Your stock-pile legislation of June 1939 only authorized the accumulation of a certain amount of money and beyond that it can be declared surplus.

Senator JOHNSON. And the stock pile was set up under the jurisdiction of the Army and Navy and, I think, the Interior Department, but the surplus supplies are now held by the Metals Reserve Company, which is entirely outside the jurisdiction.

Mr. MARBURY. The stock-pile provisions, we think, should be extended by adding to that stock pile which would take it out of the scope of the property which may be declared surplus, all critical materials which we ask for.

Under section 17 we have no choice.

The thing may be critical but there may be a limit to what we can use.

Then there are some other minor modifications, for instance, that the list shall not be fixed at all times as of June 6, 1934, but that we might from time to time determine which items are critical.

Some might be taken off the list and others may be added.

And then a provision authorizing the transfer without reimbursement. The cost runs into millions of dollars.

Senator O'MAHONEY. When the original act of June 7, 1939, was passed, three classifications were used in the report, strategic, critical, and essential. The stock-piling was authorized with respect to strategic and critical, but the Army and Navy Munitions Board were authorized at any time to add to or subtract from the list of critical and strategic.

Mr. MARBURY. Yes, sir.

Senator O'MAHONEY. You don't think there is any need to take cognizance of that in the legislation?

Mr. MARBURY. Articles determined by the Army and Navy Board——

The CHAIRMAN. I want Colonel Johnson to be heard on that.

Mr. MARBURY. May I go one step further, Senator? Our view is that stock-piling legislation should not be limited to strategic materials but that we should also be authorized to take those plants which are not now under the control of the Army or Navy Department but under some other Government agency, and say "Those are essential and shall be held for stand-by purposes"

There are, for instance, airplane plants which Defense Plant Corporation has, and we feel they should be transferred to a sort of strategic reserve, as well as materials. We have drafted legislation which would cover that broad aspect of the matter.

As I said at the beginning, we believe Congress will want to legislate on this subject. We believe that something like this mimeograph, which I hand to the reporter, will be adopted, but whether or not it should go into the bill is a matter on which we defer to Mr. Clayton's judgment.

Senator HILL. If it doesn't go in this bill, some of this property may go ahead and get out of hand.

Senator JOHNSON. It will speed the passage instead of delaying the bill. There are some strong feelings on it.

Mr. MARBURY. First, I hand the reporter the proposed redraft of section 17 if it remains as it is, and second a proposal for the broad treatment of the subject.

Senator O'MAHONEY. Is the War Department prepared to indicate now the type of plants which should be held as stand-by?

Mr. MARBURY. Nearly. We are making a study of that. We, of course, are first concerned with the stuff we ourselves have. The defense Plant Corporation has been making such a study in collaboration with the War Department and Navy Department, and I think we are almost ready to say.

Senator O'MAHONEY. Would you be be ready to suggest language to be incorporated in this bill?

Senator HILL. It is all written out in legal form.

Senator AUSTIN. I have an idea that would add strength to the bill.

Senator HILL. I am certain it would. Unless we put something like this in here, I feel the Senate certainly is going to feel we have not met the situation.

Senator AUSTIN. May we have these documents put in the record?

The CHAIRMAN. Yes.

Mr. MARBURY. One is a proposal of a redraft of section 17 if it is retained and the other is a proposal for the handling of the whole subject.

Senator AUSTIN. Does that cover this point of strategic plants?

Mr. MARBURY. Yes, sir; both plants and materials.

The CHAIRMAN. We want them both in the record, but we want one on the side because we will start reading the bill this afternoon.

(The documents referred to follow:)

DEFENSE PLANTS AND STOCK PILES

SEC. —

(a) The Congress hereby declares:

(1) that the present war has demonstrated the necessity of adequate preparations in advance for the national defense to avoid unjustifiable risks to the national security;

(2) that the construction of defense plants and acquisition of strategic materials during the present war have provided the nation with essential industrial capacity and materials for defense needs; and

(3) that essential defense plants and strategic surplus materials should be maintained in the interest of national security after the cessation of the present hostilities.

(b) The Secretary of War and the Secretary of the Navy, acting jointly through the agency of the Army and Navy Munitions Board, from time to time, shall survey the surplus government plants and other surplus property, and shall develop programs for—

(1) retaining under subsection (c) such of these plants as are deemed necessary for national defense purposes; and

(2) creating stock piles of strategic and critical materials from such surplus materials under subsection (d).

Such programs, and any modifications thereof, shall be promptly filed with the Administrator and submitted to the Congress in accordance with subsection (f). In exercising the authority conferred by subsections (c) and (d), the Secretary of War and the Secretary of the Navy shall conform to the programs developed under this subsection and in effect from time to time.

(c) Whenever any government-owned plant constructed or acquired for defense or war purposes is determined to be surplus property, the Secretary of War or the Secretary of the Navy may certify to the Administrator that such property is necessary for the national defense. Whenever any such certificate is made, no Government agency shall dispose of the property covered by the certificate without the consent of the Secretary of War or the Secretary of the Navy, as the case may be, except by lease of the plant for any purposes for which it is adapted without substantial modification, with appropriate provisions for its recapture for national defense purposes.

(d) Whenever the Secretary of War and the Secretary of the Navy, acting jointly through the agency of the Army and Navy Munitions Board, request the transfer hereunder of any surplus property deemed by them to be strategic and critical materials, the Government agency in control of such property shall promptly transfer it to the stock pile authorized by the Act of June 7, 1939 (53 Stat. 811), as amended. Any such transfer shall be made without reimbursement or transfer of funds, except to cover the expense of care and handling, and except

that if the Reconstruction Finance Corporation or any of its subsidiaries is the owning agency for any property so transferred, the Secretary of the Treasury shall cancel notes of the Reconstruction Finance Corporation in an amount equal to the fair value of the property so transferred. The Administrator, by regulation, may prescribe procedures to govern transfers under this subsection.

(e) Upon request of the Secretary of War or the Secretary of the Navy, the Administrator shall permit the War Department or Navy Department to use any property withheld under subsection (c) or transferred under subsection (d) for technical research and experimental production:

(1) to develop strategic materials;
(2) to improve the quality of such materials;
(3) to improve the productive output of such plants;
(4) for any other purpose related to national defense.

The War Department and Navy Department may use for the purpose of this subsection, any funds appropriated by the Congress for such research and experiment.

(f) Within three months after the cessation of hostilities in the present war, as proclaimed by the President or by concurrent resolution of the two Houses of the Congress, and at the end of each six months period thereafter, the Administrator shall submit to the Congress a report setting forth:

(1) the programs prepared with respect to stand-by plants and stock piles under subsection (b);
(2) the plants withheld from disposition in accordance with subsection (c); and
(3) the strategic and critical materials transferred to the stock pile in accordance with subsection (d).

(g) Subject to the provisions of any program prepared under subsection (b) and reported to the Congress, and unless the Congress provides otherwise by law, (1) any plants withheld from disposition and so reported to the Congress shall be disposed of only in accordance with subsection (c) and, (2) any strategic and critical materials transferred to the stock pile and so reported to the Congress shall be managed and disposed of in accordance with the provisions of the Act of June 7, 1939 (53 Stat. 811) as amended from time to time.

Senator AUSTIN. Are these two suggestions alternative or separate suggestions?

Mr. MARBURY. Alternative, sir. If you are going to adopt this mimeograph entitled "Defense Plants and Stock Piles," you would eliminate this section from the bill.

Senator O'MAHONEY. I understand you prefer the latter alternative.

Mr. MARBURY. Yes, sir; if that is the desire of the committee.

The last point on which we have a special interest is the elimination from subparagraph (f) of section 30 of the August 17 print, at the top of page 40, of lines 7 to 10 of the limitation which has been discussed, excluding any power-driven machinery or equipment.

Senator CHANDLER. You want that stricken?

Mr. MARBURY. Yes, sir. That would prevent us from disposing of machinery in place to contractors, that they could use to get to work on other things.

If we have to take the stuff out and turn it over to a disposal agency, it will prevent the disposal in place of that machinery.

As a matter of fact, we work on that under the rules and regulations of the Administrator, so we are not free to dispose of the stuff without supervision, but if we are not free to dispose of it at all and have to turn it over to another agency to handle, we feel it will result in delays to reconversion and employment.

Senator JOHNSON. Thank you very much, Mr. Marbury. Are there any other questions?

(No response.)

STATEMENT OF CAPT. H. L. MERRING, NAVY DEPARTMENT, HEAD OF INDUSTRIAL READJUSTMENT BRANCH, OFFICE OF PROCUREMENT MATERIALS

Captain MERRING. I am submitting a written statement. I don't propose to read it. I want to emphasize just a few points here.

Senator CHANDLER. I move the captain's statement be made a part of the record.

Senator JOHNSON. Without objection, it will be inserted.

NAVY DEPARTMENT,
Washington, August 14, 1944.

Hon. J. E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Military Affairs Committee, United States Senate.

MY DEAR MR. CHAIRMAN: The proposed substitute introduced by Senator Johnson to the bill, S. 2045, to provide for the disposal of surplus Government property and plants, and the draft bill included in the July 21, 1944, report of the Surplus Property Subcommittee of the Special Committee on Small Business, were referred by your subcommittee to the Navy Department with a request for views thereon.

The common purpose of the proposed substitute bill (herein referred to as S. 2045) and the draft bill, is to provide for the disposal of Government war surpluses. The two proposals, however, differ in many basic matters, as will be indicated later in this report.

This Department strongly opposes the enactment of S. 2045 as a measure which is unsound in principle and which would not permit the effective and orderly disposal of Government war surpluses. The principal objection is to section 11 (a) which, with a few limited exceptions, prohibits the disposal of durable property until 5 years after the termination of the present war. Every consideration of sound public policy points in the other direction. War surpluses are great national assets. Except for items which should be held as a reserve against future emergencies, surpluses should be disposed of in such a way as to meet the needs of the public and to secure maximum realization for the Treasury. Of course, there should be no "dumping" of surpluses, and disposal should be conducted with care to avoid harmful effects upon American industry and employment. It is the view of this Department that our economy will be able to absorb most of the available surpluses without substantial injury to labor or industry, and with considerable benefit to the public and the fiscal position of the Government.

S. 2045 would even prevent the sales to the public of badly needed surplus goods during the war and in the period immediately following in which the shortage of such goods would create consumer hardships and increase the risk of inflation. Whether any industry would benefit from a prohibition of surplus property disposal for 5 years, or any period, is extremely doubtful. The more widely held view is that maintenance of surpluses in undiminished amounts for an extended period would constitute more of a threat to business prosperity than an orderly program for feeding the surpluses into our economy at such a rate as will permit them to be absorbed without harm.

As an exception to the prohibition of disposal of durable property, section 9 permits the disposal of surplus "common supplies" (defined as small tools, hardware, and nonassembled articles useful in the manufacture of more than one type of product) until 6 months after the end of the war, "through the regular trade channels at not less than 75 percent of the replacement cost." The requirement that sales must be through regular trade channels would make it possible for existing trade groups to monopolize distribution of such surpluses, and prevent the Government from receiving fair prices for its surpluses. While distribution should normally be through established channels, a blanket requirement to this effect would be against the interests of the Government. As to the requirement that the price shall be not less than 75 percent of costs, this figure seems to be entirely arbitrary and might nullify the authority to dispose of such supplies with respect to many of the items involved.

Warehousing and maintenance of war-surplus goods even under the best of conditions of rapid disposal consistent with orderly marketing may be expected

to create problems and entail considerable expense. A requirement that durable goods shall be retained over a 5-year period would manifestly increase greatly both the problems and the expense to the Government of warehousing and maintaining these goods. In adidtion, most durable goods may be expected to decline in value and the value of many articles, through obsolescence, reduced to their value as scrap.

There are a number of other seriously objectionable features in S. 2045, which will, however, be mentioned only briefly.

(*a*) Section 3 (c) fails to grant authority for the transfer of surplus property from military agencies to civilian agencies, but only permits transfers in the reverse direction. During the period of large property disposals, most of the flow would, of course, be from the military agencies to the civilian. No reason is apparent why the civilian agencies of the Government should be barred from the use of the surpluses of the military agencies.

(*b*) Section 11 (e) requires that all property classed as obsolete or scrap should be permanently stock-piled for national-defense purposes. Stock piles should be accumulated on the basis of a careful appraisal of quantitative and qualitative needs, and after a comprehensive study of the best methods of acquiring the required quantities, rather than through any such blanket procedure as that specified in the draft.

(*c*) Section 11 (f) prohibits war contractors from disposing of their own termination inventory, other than through manufacture. This would prevent the normal distribution and utilization of materials by industry, through normal commercial channels. Such a requirement might be a serious drag on reconversion. Aside from the question of the wisdom of this provision, its legality seems doubtful.

(*d*) Section 15 prohibits any Government agency to produce, in competition with private industry, any articles for civilian or military use "in facilities acquired by the Defense Plant Corporation." Such a requirement would apparently make it impossible for the Government to produce vital war supplies in plants financed by the Defense Plant Corporation.

The draft bill which is printed in the July 21 report of the Surplus War Property Subcommittee is constructed on a much more sound basis than S. 2045. It appears to be substantially similar in substance to the draft bill submitted to your subcommittee by W. L. Clayton, Surplus War Property Administrator, which is printed in the report of the War Contracts Subcommittee dated June 5, 1944. As you know, the Navy Department participated in the preparation of the Clayton draft, and it reflects the viewpoint of this Department as to the requirements for property disposal legislation. In most of the respects in which it departs in substance from the Clayton draft, the subject draft is objectionable. The following particular comments are offered with the reservation that there has not been an adequate opportunity to study this draft, and that it may be necessary to comment further at a later date.

The two most serious differences between the subject draft bill and the Clayton draft are the omissions from the former of an affirmative grant of disposal powers to the disposal agencies (as provided in section 11 (a) of the Clayton draft), and failure to authorize the disposal of property by the owning agencies (as provided in section 8 of the Clayton draft). The first omission is, apparently, a question of draftsmanship. As to the second, there is no criticism of the policy of setting up specialized disposal agencies. The disposal through them of various classes of property declared surplus by the owning agencies (as provided in both drafts), is the policy the Navy Department has long advocated. However, there are limited classes of property which can be disposed of with greatest economy and efficiency by the owning agency, and in any property bill there should be provision for such direct disposal, subject to the control of the Surplus War Property Administrator.

A number of other comments on this draft bill follow:

(*a*) Section 1 of the act fails to state as one of its purposes the use of surplus property for the purpose of national defense. Since most surpluses will be disposed of after the war, the reference to the use of surpluses in war production is not adequate.

(*b*) It is not believed wise to require the Administrator to utilize the services of the Bureau of the Budget or of any other specified agency, as provided in section 6 of the subject draft. The Administrator should be left free to accomplish his task through such agencies as he may designate. Some of the problems which the Administrator is required to turn over to the Bureau of the Budget, for example, could perhaps best be performed as staff functions within his own organization.

(*c*) Section 8, apparently by inadvertence, fails to authorize the acquisition of surplus property by the War and Navy Departments and Maritime Commission after the war, although such acquisition by all other Federal agencies is authorized.

(*d*) Section 8 (a) authorizes the acquisition and disposal of surpluses by the Smaller War Plants Corporation. This is inconsistent with section 3 (c) which provides that disposal of any particular type of property shall be centralized in a single disposal agency. It is unsound to have two agencies competing with each other in the disposal of the same type of property, perhaps under different and inconsistent terms and conditions.

(*e*) Section 8 (c) grants a discount of 50 percent to States, political subdivisions, and tax-supported institutions. This Department does not believe such discounts to be wise. Many public agencies have no need for such a subsidy. Moreover, there are many State and municipal functions which are self-liquidating, and no reason appears why the Federal Government should not receive full compensation in such cases.

(*f*) The requirement of section 10 for giving prior notice of sale to the Smaller War Plants Corporation seems to be so broad as to constitute a substantial impediment to disposals.

(*g*) Section 11 provides that no option on Government-owned property shall be honored if the option "is contrary to public policy." This is such a vague term that the provision would cast a cloud upon the right of many industries to exercise options entered into in good faith, and for good consideration. The Navy Department does not believe the Congress should thus cast doubt upon the integrity of obligations of the Federal Government validly entered into.

(*h*) Section 12 reserves from sale large Government-owned plants of many types. The necessity for keeping idle productive capacity in so many fields is not apparent. The authority to enter into short-term leases is not an adequate alternative since without greater assurance of tenure there will be little interest in making the commitments necessary for operation.

The Navy Department has been advised by the Bureau of the Budget that there would be no objection to the submission of the proposed report to the committee, with the understanding that no commitment would thereby be made at this time as to the relationship to the program of the President of the various provisions of the bill S. 2045 and the other bills in the surplus war property field that are new before the Congress.

Sincerely yours,

RALPH A. BARD,
Acting Secretary of the Navy.

DESTRUCTION AND DONATION

(a) When surplus property, with the exception of plants and facilities, cannot be utilized by other Federal agencies and the cost of care and handling such property would exceed the proceeds of sale or other disposition, such property may be donated to State units, and nonprofit educational and eleemosynary institutions. If the property is not serviceable to such units and institutions, it may be destroyed or abandoned.

(b) When the Administrator finds that surplus property cannot be utilized by other Federal agencies, and cannot be disposed of to other agencies without danger to the public health and safety, he shall authorize the destruction of such property.

Captain MERRING. On section 8 Mr. Marbury and Mr. Clayton have completely stolen my thunder. I endorse everything both gentlemen have said on that subject.

The next point has to do with section 13; 13 (a) provides that in order to prevent discrimination against small business, the Administrator shall cause the owning and disposal agencies to pursue certain measures, including the widest possible notice in advance of sale, and disposal in the smallest practicable lots or blocks.

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We hope the contractor in possession will be our best customer for a good deal of that inventory and unless we are permitted to dispose of it to him we will be compelled to clear it out and be put to additional storage difficulties and transportation charges by the necessity of advertising it before we can dispose of it.

Senator AUSTIN. I don't find that.

Captain MERRING. It may be out of date now, Senator. I had to work from the August 15 substituted draft No. 1, so it may have been eliminated from this last draft. I am not sure. I haven't seen that.

Senator AUSTIN. Under what heading do you handle it in your suggestion?

Captain MERRING. I would suggest that the Administrator be given authority to exempt contract termination inventory from the requirements of that section.

Senator HILL. What is the section by number that you have there, Senator?

Captain MERRING. Small business, section 13.

Senator AUSTIN. Where is it you want to make a change?

Captain MERRING. By adding a proviso at some point in the section, perhaps at the end, that the Administrator be given authority to exempt termination inventory from the requirements of this section when he saw fit, and also machine tools in the contractors' possession.

Mr. MARBURY. If you eliminate the owning agencies, as we asked you to do, you would not have to do that.

Captain MERRING. That is another way of handling it.

Senator HILL. That is the simpler way, isn't it?

Captain MERRING. Yes.

Senator CHANDLER. There would be no owning agencies?

Captain MERRING. Owning agencies would not be under those requirements. The only other point I wish to talk about is the section on stock-piling.

I agree thoroughly with Mr. Marbury's first suggestion. I haven't seen the second one which is more comprehensive, although I am not familiar with it.

It is true that we hope to dispose of, and I think we should dispose of, a great many of these machine tools to the contractor in possession and keep him at work.

Senator HILL. And, Mr. Marbury, on this defense plants and stock piles, you take care of both the Army and the Navy on a parity?

Mr. MARBURY. Yes, sir. At the time that was prepared I understand Mr. Amberg was working on a committee with representatives of the Navy Department and they were familiar with it.

Senator CHANDLER. Will you furnish a copy of that to Captain Merring so he may be familiar with that?

Mr. MARBURY. Yes, sir. It is supplied right now.

Captain MERRING. I request the committee to read particularly paragraphs 8, 15, 16, and 17 of my statement. Those relate particularly to Navy problems.

That is all I have, Mr. Chairman.

Senator JOHNSON. Are there any questions?

Senator CHANDLER. No, sir.

Senator JOHNSON. If not, we thank you, Captain.

(Captain Merring's prepared statement follows:)

STATEMENT OF CAPT. H. L. MERRING, UNITED STATES NAVY, WITH RESPECT TO S. 2065, SUBSTITUTE DRAFT NO. 1, DATED AUGUST 15, 1944, BEFORE THE SENATE COMMITTEE ON MILITARY AFFAIRS

The Navy Department has requested this opportunity to appear before the Military Affairs Committee to comment upon S. 2065, because of the tremendous importance of the subject matter with which the bill deals, and because the Navy Department has not yet had an opportunity to state its views on this bill.

On August 14 the Navy Department, through the Acting Secretary, filed a report with the War Contracts Subcommittee on S. 2045, and on a draft bill which, with many changes, was introduced as S. 2065. I should like to have that report made a part of my testimony, and have brought copies for the convenience of the committee. Insofar as S. 2045 is concerned, the Acting Secretary's report sets forth fully the position of this Department. I have nothing to add except a request that each member of the committee should read and consider it. However, in view of the many changes which were made in the draft bill before it was introduced as S. 2065, we feel it is necessary to make clear to the committee our position on this bill.

First of all, let me say that the major outline of S. 2065 seems to us to be essentially sound and consistent with the requirements of public policy and good administration. However, there are a number of points in S. 2065 to which we must take serious exception. In order to make it easier for the members of the committee to relate my testimony to the provisions of the bill, I shall make my comments section by section, rather than in order of importance, or by subject matter.

1. The first point arises in connection with section 3 (c), which provides that the Administrator shall assign responsibility for disposing of various classes of surplus property to designated dispoal agencies. Nowhere, however, is there an explicit and affirmative grant of authority to the disposal agencies to dispose of such property. Since this is the heart of the bill, the power of the disposal agency should not be left to implication, but should be expressly stated.

2. Section 4 (a) authorizes the Administrator to delegate any authority to the head of any Government agency "to the extent necessary to the handling and solution of problems peculiar to that agency." Delegations frequently will involve problems commonr to more than one agency. The quoted language is unnecessarily restrictive, and should be stricken.

3. Section 7 requires that "each Government agency charged with responsibility for disposal of surplus war property" shall organize and consult with advisory committees representative of business, labor, and other interests in the trade or industry involved. This requirement should be limited to the central disposal agencies, each of which would specialize in only a few fields, and hence would presumably be required to organize only a limited number of committees. The owning agencies, however, do not specialize in the disposal of particular classes of property. The owning agencies must dispose of termination inventory and scrap under the provisions of this bill. Each owning agency will, therefore, sell a little of everything and might be required to set up scores of advisory committees, one for each type of property. These committees could perform no useful function with respect to such disposal by owning agencies, and would duplicate the functions of the advisory committees for the disposal agencies. I am sure that this result was not intended, and therefore suggest that owning agencies be excluded from the requirements of section 7.

4. Section 8 (b) raises a very fundamental question, perhaps the most important in the bill. It provides that the Administrator shall report to the President the properties in the possession or control of any agency which in his judgment should be declared surplus but which have not been so declared by the owning agency. The President is thereupon directed within a reasonable time to declare as surplus such property as he shall find to be surplus to the agency's needs and responsibililites. No one could object to having the President make such a determination. As Commander in Chief he is responsible for the national defense, and this responsibility qualifies him to make decisions as to the property required for defense purposes. The difficulty, however, is that the President may delegate responsibility for making the decisions to some civilian agency. It is the position of the Navy Department that no agency without

responsibility for the national defense should have the right to declare that property in the possession of the Army or Navy, which they believe to be essential to the fulfillment of their responsibility to protect the security of this country from foreign aggression, is surplus for purposes of that responsibility.

During the war there is little reason for concern, but when the war is over there may be a return of the psychology of the 1920's and 1930's when this country refused to appraise realistically the military requirements for our security. In our judgment section 8 (b) makes possible a situation in which a civilian agency without responsibility for national defense will deprive the country of property needed for our safety.

5. Section 8 (b) also requires the agencies to establish elaborate systems of property records as prescribed by the Administrator with the concurrence of the Director of the Bureau of the Budget and gives the Administrator full powers of investigation and access to all relevant records of all Federal agencies. The Navy Department is required to make strong exception to these provisions. Neither in time of war or in time of peace should the military agencies be required to disclose the types and amounts of all property in their possession. Such information is highly classified and would be of the greatest value to our enemies and potential enemies. Disclosure would involve corresponding risks to the United States. It is suggested, therefore, that a proviso be added at the end of section 18 reading as follows:

"Provided, however, That no agency shall be required to disclose information which the head of the agency certifies should not be disclosed for reasons of military security."

Even with respect to nonclassified information, the provisions of this section should not require the scrapping of existing property records systems, nor should its requirements be imposed without recognizing the tremendous size of the problem and the staggering cost of attempting to keep complete and current records for every item of property. It is suggested, therefore, that after the word "therewith" on line 19 of page 11, there be inserted "insofar as practicable and without duplicating satisfactory record systems."

6. Section 10 (b) would apparently prevent future transfers between the Army and Navy without reimbursement, as authorized by existing law. Adjustments of supply programs and transfers of facilities take place constantly under this authorization and are essential to the efficiency of both organizations. It is suggested that section 10 (b) be modified to permit such transfers.

7. Section 11 (c) authorizes the disposal of surplus property to States and other public agencies at discounts not to exceed "fifty per centum of the sale or lease market value thereof, as the case may be." This Department questions the wisdom of granting such discounts when the property is not used for health, educational, or similar purposes, both as a matter of policy and because of the administrative problems which are created. However, if the committee should retain this discount provision it should be made workable by inserting the word "estimated" before the words "sale or lease" in the quotation I have read. Otherwise, it might be necessary to make expensive and time consuming tests of market values before being able to dispose of property to the preferred agencies at the statutory discount.

8. Section 12 (a) authorizes any owning agency to dispose of property for war production or to authorize any contractor to retain or dispose of contractor inventories "for the purpose of war production," subject to the price regulations of the Administrator. The phrase "for the purpose of war production" is unnecessarily restrictive. For example, the Navy Department has had occasion to transfer medical supplies to hospitals. This is not war production but it serves the war effort. The words "for the purpose of war production" in line 14 on page 15 should be changed to "for the purpose of aiding in the prosecution of the war and for the national defense."

The words "for the purpose of war production" in lines 16 and 17 on page 15, in connection with the disposal of contractor inventory, should be stricken entirely. Our real problem is to find any kind of a market for contractor inventory, and this problem will become more acute with the coming of victory in either of the main theaters of war, as war production tapers off. When the war ends, disposal of war production would, of course, be impossible.

9. Following section 12 a provision should be inserted authorizing the destruction or abandonment of property which cannot practicably be disposed of otherwise. There will be a great deal of obsolete material the value of which will be less than the cost which would be incurred for handling and transportation if the property were to be sold or donated. Under these circumstances the Government ought not to be in the position of having to spend money for handling and warehousing in order to preserve the property. Destruction or donation would in many cases result in great savings to the Government. I am submitting for the committee's consideration a suggested provision on destruction and donation, adapted from one of the drafts of the War Contracts Subcommittees.

10. Section 13 (a) provides that in order to prevent discrimination against small business, the Administrator shall cause the owning and disposal agencies to pursue certain measures, including the widest possible notice in advance of sale, and disposal in the smallest practicable lots or blocks. Section 12 (b) indicates that owning agencies will be responsible for disposing of property which is damaged and worn beyond economical repair, scrap, and contractor inventory. Surplus War Property Administration had added the disposal of items in nominal quantities to this list. Such disposals do not warrant the elaborate precautions which should be taken to protect small business in the disposal of consumers' goods, for example. It should not be necessary to consume a bale of paper for bidders' lists and catalogs to sell a ton of scrap steel. It is therefore suggested that either section 13 (a) 1 and 2 should not be made applicable to owning agencies, or that the Administrator should have authority to exempt from the requirements of section 13 (a) 1 and 2 the disposal of contractor inventory, machinery, tools, and equipment in a contractor's plant, and any other property where the application of the requirements of these provisions would not be feasible or practical.

As to termination inventory in particular, as I have mentioned, the best market will in many cases be the contractor in whose plant the inventory is located. Under the Contract Settlement Act this inventory must be moved within 60 days after demand. The two requirements in combination would place the Government in an impossible position, because the notice and sales requirements would in many cases prevent disposition of the inventory before the removal deadline. The Government would then be put to great expense for transportation and storage, only to find that it could not get as high a price from anyone else, since further handling and transportation charges would be necessary in order to return the materials to a point where they could be used. Exactly the same situation applies to machinery, tools, and equipment in a contractor's plant. Here, too, the Government is under a 60-day removal requirement under the Contract Settlement Act. Here also the best customer is the man with the equipment already in his plant. It is believed that the surplus of tools will be sufficient to meet the needs of small business, and that it would be most unwise to hamper the sale of tools back to the contractor in possession when feasible.

11. Section 13 (e) authorizes the Smaller War Plants Corporation to purchase any surplus property for disposal to small business. Without commenting at this time on the question whether it is wise to have the Smaller War Plants Corporation duplicating the functions of the central disposal agencies, it is recommended in any case that disposals by the Smaller War Plants Corporation be made subject to the regulations of the Administrator in order to avoid the conflict and confusion which are otherwise inevitable.

12. Section 14 (a) provides that whenever the Administrator or any of the disposal agencies begin negotiating for disposal to private interests "of a plant or plants or other property" with an original cost of $1,000,000 or more, the Attorney General shall be notified and within a "reasonable" time thereafter he shall give his opinion whether the proposed disposal will violate the antitrust laws or restrain competition. Sales are prohibited if the Attorney General finds that the antitrust laws will be violated or competition restrained. This provision is objectionable for several reasons. In the first place, the words "or other property" in the quotation just given are so broad as to require submission to the Attorney General of proposed sales of contractor inventory, a result which was certainly not intended.

A second objection is the requirement that the Attorney General shall give his advice within "a reasonable time." This leaves the Administrator, the disposal agencies, and prospective buyers in uncertainty for an indefinite period if the Attorney General fails to make a report. Furthermore, I understand that representatives of the Department of Justice have indicated their reluctance to give express approval to proposed disposals.

A third objection is that sales pursuant to the provisions of contract options must be submitted to the Attorney General, and honoring the options is prohibited if the Attorney General should advise that the antitrust laws will be violated, or monopoly encouraged, or competition restrained. These latter, I may add, do not necessarily involve any illegality. I do not believe this com-

mittee will want to be in the position of thus prohibiting Government agencies from complying with their solemn obligations.

13. Similarly, section 16, which requires that every option to purchase shall be submitted to the Attorney General for his opinion on its validity before it is honored, throws into question the enforceability of every option executed by the Government. All of them were entered into in the best of faith and for good consideration. There seems to be no reason why every option should be submitted for an opinion of the Attorney General, any more than for submitting to him every procurement contract before it becomes effective. As a matter of fact, many options were issued in connection with procurement programs, and the proposal of section 16 is to question the validity of the Government's obligation to convey, after the contractor has fully performed his obligations as a part of the same program, and the Government has received full consideration. In our judgment, section 16 should be stricken.

14. Section 17 relates to stock-piling. It is seriously defective in a number of respects, and it is our fear that it would make impossible a stock-piling program which would be of maximum benefit in the event of another great emergency. As you know, 2½ years before this country was at war Congress passed the act of June 7, 1939, which authorized the creation of stock piles of surplus materials. Section 17 completely ignores the earlier act and the experience which has taken place under it. Its enactment would result in two stock-piling programs operating on mutually inconsistent bases. We understand that the Surplus War Property Administration is submitting an alternative draft which will cure these defects.

15. Section 22 was apparently inserted for the good purpose of relieving Government officers and employees engaged in property disposal from liability except for their own fault, and thus to encourage a businesslike handling of the property-disposal problem. So long as there is a risk of personal liability in the absence of fraud, Government officers will tend to "play safe" no matter how expensive the result may be to the Government. However, section 22 will fail to achieve its objective, because officers and employees are not relieved of liability in the case of fraud or gross negligence." The term "gross negligence" is so vague, and its legal implications so uncertain, that no officer or employee will feel free to use any initiative or discretion. Moreover, the risk of personal liability will make it difficult or impossible to secure able personnel for the work. Far from relieving disbursing officials from liability, the language of section 22 may impose liability where none now exists. Accordingly, it is recommended the words "or gross negligence" on line 16 of page 28 be stricken.

16. Section 28 (a) raises a special problem for the Navy Department. The members of this committee may be familiar with Public Law 289, Seventy-eighth Congress which, among other things, prohibits the disposal of land acquired for naval use except with the consent of the Naval Affairs Committees of the Senate and of the House of Representatives. Chairman Vinson of the House Naval Affairs Committee, who sponsored Public Law 289, has agreed to remove this restriction on property disposal and has introduced a bill (H. R. 5005) for that purpose. However, as the law now stands the disposal of real property acquired by the Navy Department would be subject to restrictions which would not be applicable to the disposal of real property acquired by any other Government agency. This will, of course, be a source of considerable administrative difficulty to the Agency charged with the disposal of Navy surplus real property. Section 28 (a) may have been intended to remove this restriction, but it does not clearly do so. I therefore recommend that the provisions of H. R. 5005 be made a part of section 28 or that the same result be attained in some other way.

17. A final point relates to the definition of contractor inventory in section 32 (f). The definition fails to include the inventory owned by the Government and in the hands of certain Navy contractors under fixed price contracts. To cure this situation, it is suggested that clause (2) be changed to read as follows: "any property acquired under a contract pursuant to the terms of which title is vested in the Government, and in excess of the amounts needed to complete performance thereunder."

In view of the fact that this is a hearing before the full committee, on a bill which has already been reported by a subcommittee, I have confined myself to the most important features in which I believe the bill requires correction.

There is one request which I should like to make of the committee. The committee may, and I venture to say it will, make substantial changes in the bill. Some provisions may be added upon which no Government agency has had an opportunity to comment. Important provisions now in the bill may be stricken. Considering the importance of the bill, I should like to suggest that when the committee has completed its drafting that the principal agencies interested in property disposal have a day to study the draft and a brief final opportunity to comment upon it before final action of the committee.

Senator JOHNSON. Now, Mr. Hungerfold desires to make a 2-minute statement.

Senator HILL. I move we hear him.

STATEMENT OF B. E. HUNGERFORD, OF G. P. BYRNE OFFICES, NEW YORK CITY

Mr. HUNGERFORD. Our firm represents the manufacturers of screws, nuts, rivets, and other fasteners, as well as hand service tools; that is, mechanics' hand service tools, such as screw drivers, wrenches, and so forth; also electric fuses and quite a number of other products.

The main concern in these industries is about the possible dumping of these products on the market so that sooner or later they will all be faced with the possibility of plant shut-downs, curtailment, and they won't be able to employ returning veterans and so forth.

Now, they have two points that we want to bring before the committee, Mr. Chairman. The first one relates to some provision which would clearly require the Administrator to consult with the industry whose product is to be disposed of before the disposal is made. The industry would be able to tell the Administrator exactly what the state of the inventories is, what the situation is in the market, and what they could do to immediately absorb some of that surplus and move it quickly, but they could make any number of suggestions which we feel would be helpful.

Now, the statement regarding that is given in a bulletin which I have here in writing. If you have no objection, I can give it to you.

The CHAIRMAN. If there is no objection, it will be made a part of the record.

Mr. HUNGERFORD. It is all summarized here and I have marked it from this point down to the second last paragraph.

The CHAIRMAN. Do you want only the part marked to go into the record?

Mr. HUNGERFORD. Yes, sir. The other part is not relevant.

The CHAIRMAN. Without objection it will be made a part of the record.

(The excerpt from the bulletin is as follows:)

AUGUST 16, 1944.

SURPLUS DISPOSAL PLAN RECOMMENDED BY SCREW ADVISORY COMMITTEE

(Bureau of Journal of Commerce)

Recommendations for the disposal of Government-owned screws and related products were made by the machine, wood, and sheet metal screw industry advisory committee at its recent meeting, the War Production Board reported.

The committee urged that excess stocks be disposed of in the following three ways:

1. Some quantities should be sold immediately to producers so that the products may pass through regular trade channels.

2. Items should be sold as scrap if they are of no possible future use because of their special nature, obsolescence, insufficient quantity, or poor condition.

3. The bulk of idle and excess Government-owned screws and related products should be warehoused at Government expense when immediate disposition would have an adverse effect on the industry.

Committee members said the industry would agree to purchase warehoused stocks up to 10 percent of the industry's annual production. Such purchases could be made at a price representing an agreed percentage of the market value. At least 75 percent of the industry, committee members said, would be willing to cooperate in such a plan.

WOULD AVOID DISRUPTION

Disposal of excess stocks in this manner would prevent disruption of the industry's operations, committee members said. In addition, it would permit the Government to realize from 50 to 70 percent on the market value of the products—a better return than could be obtained through immediate indiscriminate sale, committee members said.

Members pointed out that a similar plan might be employed for products such as bolts and nuts, hand tools, cutting tools and builders' hardware, and might be applicable to many other industries.

They recommended that the industry advisory committee or some new committee in the industry be consulted on disposal methods.

Mr. HUNGERFORD. Now, Mr. Chairman, I was not here early this morning when this particular section was discussed. I have substitute draft No. 1 of August 15. In section 11 to section 23 it does mention committees, but I just wanted to see if that might be clarified a little bit with respect to having the manufacturer representatives of the industry, large and small, meet separately with the Administrator or his staff before any large amounts of these products are disposed of.

Senator JOHNSON. I think from your testimony, Mr. Hungerford, that you would like Senate bill 2045, wherein a board is set up composed of industry and labor and commerce and agriculture, and the Administrator is their agent.

Senator HILL. Who is the author of that bill?

Senator JOHNSON. That is a military secret. We will not attempt to disclose it.

Senator CHANDLER. One of the Johnson boys wrote that bill.

Senator AUSTIN. Are you familiar with section 7 of S. 2065, which provides, if amended in the manner suggested:

Each disposal agency shall organize advisory committees with which it shall consult regarding policies and procedures to govern disposal of the various classes of surplus property under this act.

And it refers also to committees there.

Such committees shall be fairly representative of—

(a) The larger business units of the interested trade or industry, including its wholesale and retail distributors, if any;

(b) The small business units, therein, including distributors—

cooperative organizations—I haven't the language for that one;

(c) The labor groups interested therein; and

(d) Interested farm, consumer, and other groups, if any.

Are you familiar with that?

Mr. HUNGERFORD. No, sir.

Senator AUSTIN. That is pretty comprehensive, isn't it?

Mr. HUNGERFORD. It is not quite clear to me. I don't want to take a long time but would that mean the manufacturers would meet with the consumers and labor people, and so forth?

Senator AUSTIN. I wouldn't expect to have the details of how they would operate put in the bill.

Senator JOHNSON. The Administrator is not under obligation to follow their advice. He simply consults with them.

Senator AUSTIN. I should not think he should have to follow the advice of an advisory committee. Just show the situation and trust somebody to have good judgment.

Mr. HUNGERFORD. That is all we could expect to have done there. That was the main thought I wanted to get over and that is all I wanted to say.

The CHAIRMAN. We are very glad to have given you the opportunity to speak before the committee.

Does anybody else want to be heard?

(No response.)

The CHAIRMAN. I have here a statement of Hon. Paul V. McNutt, Administrator, Federal Security Agency, which I wish to have inserted in the record; also some other communications.

(The matters referred to follow:)

STATEMENT OF HON. PAUL V. MCNUTT, ADMINISTRATOR, FEDERAL SECURITY AGENCY, ON SURPLUS WAR PROPERTIES

Mr. Chairman and gentlemen of the committee: I appreciate the opportunity to discuss the surplus property bills before your committee. The distribution of surplus war properties is of vital importance to various programs operated by the Federal Security Agency, especially those administered by the Office of Education and the Public Health Service. The effectiveness of educational and health services is in large measure conditioned by the adequacy of necessary school and hospital and health agency supplies and equipment. With the increased obligations and responsibilities falling upon our schools and health agencies during and after the war Congress could well regard the Federal Security Administrator as remiss in his duties if he failed to call to your attention the enormously increased and improved public services which surplus war materials would make possible for our schools and health agencies to render the American people.

At the outset, it is important to realize that schools and health agencies need equipment and supplies not only to maintain and continue existing programs, but also to improve and expand them. Such equipment will have to be even more copious than in the past, and of a vastly more varied range. Nor will it be sufficient, if our purpose be to assist schools and health agencies in maintaining and expanding their services, to limit them to surpluses originally procured for school or health agency uses. For instance, bulldozers and draglines can be useful in maintaining sanitary facilities, such as land fills for the disposal of garbage. Schools, to cite but a few examples, need film projectors, machine tools, furniture, scientific equipment of all kinds, maps, globes, books, office equipment of all types, sporting goods, construction and maintenance materials, and vehicles suitable for transporting children. Health agencies, likewise, need medical supplies,

1. PREFERENCES TO EDUCATIONAL INSTITUTIONS AND HEALTH AGENCIES

Should surplus war property be made available to educational institutions and hospitals without cost, on a preferential price basis or at market prices through ordinary commercial channels? It is my earnest conviction that the national interest can best be served by distributing some types of surpluses to public educational and health institutions without cost and by distributing other types of surpluses to public and tax-exempt educational institutions and health agencies at a price differential. The present provisions of S. 2065 contemplate some such distinction, but I think they are too restrictive. I am submitting herewith some suggested amendments to S. 2065 to accomplish the purposes I have outlined. S. 2045, which excludes any provisions to this effect, seems to me to be wholly inadequate in meeting important social objectives which Congress has frequently recognized and supported.

2. DISTRIBUTION THROUGH STATE ANTHORITIES

No Federal agency should attempt to assume responsibility for disposing of surplus war property directly to local schools or hospitals. Since public education is recognized as a State function, and public health primarily so, it is of utmost importance for the effective operation of any distribution program that it be channeled through appropriate State authorities. To achieve a fair and equitable State distribution of such surpluses it would be necessary, as a condition to receiving surplus properties, for each State to designate (or create, if necessary) an educational board or commission representative of all educational interests within the State, and a similar health board or commission. These educational and health boards or commissions would not supplant existing authorities, but would merely be State-wide focal points of representation in dealing with Federal surplus property authorities and would establish the method of intrastate distribution. Such over-all State-wide boards are essential to a scheme of State distribution of surpluses.

Any other plan would put the Federal Government in an impossibe predicament. Let us take the schools as an example. There are approximately 125,000 local public school districts or administrative units (many of them with many individual schools), several thousand privately controlled schools, and approximately 1,700 institutions of higher learning. Is the Federal Government to deal directly with each such administrative unit? Furthermore, how is the Federal Government to determine, within each State, how to allocate among elementary, secondary, vocational, and higher institutions? Clearly these matters are for State determination on the basis of a State-wide plan.
drugs, hospital and medical equipment, engineering equipment, and ambulances. Certain immobile properties might be suitable for health and educational uses. For example, buildings might be used as senatoria, waterworks, sewage disposal plants, storage warehouses, schools, or recreation centers.

The need for war surpluses is, I think, accepted by all who know the status of schools and health agencies. But the method of getting such surpluses to schools and hospitals raises some problems which I would like briefly to discuss:

3. DETERMINATION OF NEED FOR SURPLUS PROPERTY

Although distribution can most effectively be accomplished through State authorities, it is appropriate for Congress to establish the principles of choice among institutions. Surpluses should be distributed on the basis of actual and potential educational and health needs rather than on the basis of financial capacity. Such needs should, of course, be assessed and determined by the State board or commission. Some method must also be devised to insure that small institutions, especially in nonurban areas, can obtain the necessary materials without having to compete with the wealthier institutions. These problems can be dealt with by the Federal Security Administrator's regulations provided for in the proposals I am submitting.

4. THE ROLE OF FEDERAL AGENCIES

Two types of Federal agencies are involved, the Surplus War Property Administration and the program agencies, in this instance the Federal Security Agency, through the Office of Education and the Public Health Service. A basic obligation, as I see it, of the Surplus War Property Administrator would be the allocation of surpluses on a functional basis, in terms of the percentages of available materials to be distributed in specific fields of use, such as education, public health, highways, etc. Such determinations should, of course, be made in cooperation with the various Federal agencies concerned. After such functional allotment is made on the Federal level, the ultimate distribution within the various allotted areas is to be made by the State through the over-all agencies described earlier.

The program agencies can play an important role in advising the Surplus War Property Administrator on allocation ratios, determination of need, and other such professional and technical problems. Furthermore, these agencies could furnish professional leadership to the States, where necessary, and could review State plans submitted for approval. Professional educational and health problems come within the purview of the Office of Education and the Public Health Service, respectively, and no other agency of the Federal Government is as well qualified to deal with such problems. My suggested amendments attempt to effectuate these purposes.

I have not dwelled on administrative organization, nor have I addressed myself to the various other features of the bills before you, although I should like to suggest the advisability of including the Federal Security Agency on the Surplus War Property Board as a Government department representative of the receivers, as well as of the distributors of surpluses.

The proposed amendments to S. 2065 which I am submitting to the committee will, in general, continue a long-established Federal policy of recognition of special interest in education and health. I hope that this committee will give consideration to the special needs of educational institutions and health agencies.

AMENDMENTS IN S. 2065 (COMPARATIVE PRINT OF AUGUST 15, 1944). RECOMMENDED BY THE FEDERAL SECURITY AGENCY

Page 2, after line 19 and before line 20, insert:

"(7) to provide for the utilization of surplus property to the fullest extent practicable in furthering, under appropriate controls, programs meeting certain important public needs;"

Page 5, line 16, insert: "Federal Security Agency,"

Page 20, lines 4 to 24, change to read:

"SEC. 11. In order to carry out the purpose of section 1 (a) (7) the Administrator shall prescribe regulations for the disposition of surplus property, in accordance with this section, to States and political subdivisions thereof, including municipalities, and to tax-supported institutions; and shall from time to time allocate surplus property for disposition in accordance with subsection (a) and subsection (b) of this section, respectively. The Federal Security Administrator shall develop, and from time to time submit for approval by the Surplus Property Administrator, comprehensive public-use plans for the utilization of surplus property for the purposes of subsection (a) and subsection (b), respectively.

"(a) Surplus property which has been allocated by the Surplus Property Administrator under this section for the development or furtherance of training, education, or research, shall, upon certification by the Federal Security Administrator, be transferred without cost to any transferee eligible under this section, for use for such purposes. The Federal Security Administrator shall not make such certification except upon determination, by a State agency representative of all public educational interests in the State, that such property is needed for such purposes; such determination to be made in accordance with regulations prescribed by the Federal Security Administrator,

"(b) Surplus property which has been allocated by the Surplus Property Administrator under this section for the development and furtherance of medical or hospital services, or other services for the maintenance and improvement of health, including research, shall, upon certification by the Federal Security Administrator, be transferred without cost to any transferee eligible under this section, for use for such purposes. The Federal Security Administrator shall not make such certification except upon determination, by a State agency representative of all public hospital, sanitation, and health interests in the State, that such property is needed for such purposes; such determination to be made in accordance with regulations prescribed by the Federal Security Administrator."

Page 30, line 1, after "Every contract" insert "(other than a contract pursuant to section 11 (c))".

UNITED STATES SENATE,
August 15, 1944.

Senator ROBERT R. REYNOLDS,
Chairman, Military Affairs Committee,
Washington, D. C.

DEAR SENATOR REYNOLDS: We have received a number of letters from superintendents of public schools in Indiana and from other persons inteersted in educational plants in our State, requesting that provision be made, in the disposal of post-war stores of military equipment, so that there may be an outright gift of materials to public institutions such as schools. The number of these inquiries

suggests that there is a movement on foot among the schools to bring about this result.

It would seem that the purpose is a worthy one, inasmuch as the property disposed of by public sale in such large quantities has a tendency to go at a minor fraction of its true value. Taxing units of local government are then forced to make purchase at market prices—an unnecessary profit at the expense of the public. In such a transaction the taxpayer has sold material at a loss and then repurchased it from a broker, some times at a rather high rate of profit.

While there has been no attempt to classify the types of surplus war materials which my correspondents have had in mind, mention can be made of such items as wood-working tools, metal shop equipment, photographic supplies, precision instruments, medical and dental equipment, mechanical and transportation equipment, and a host of other items of general use.

No doubt this suggestion has come to you previously, and I trust it will receive your careful consideration in the formation of any legislation for disposal of surplus materials.

Sincerely yours,

RAYMOND E. WILLIS.

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS
SUBCOMMITTEE ON WAR MOBILIZATION,
August 17, 1944.

Hon. ROBERT R. REYNOLDS,
Chairman, Committee on Military Affairs,
Washington, D. C.

DEAR SENATOR REYNOLDS: In connection with the Senate Military Affairs Committee's consideration of the disposition of surplus war property, I would like to call the committee's attention to the work of my subcommittee on the problem of use and disposition of discoveries and patents resulting from federally financed research.

An exhaustive survey now in progress by the subcommittee shows that the Government has spent at least $2,000,000,000 for research purposes, which is equivalent to approximately the entire amount spent by industry and Government in the 10 years preceding the war. Complete reports are being furnished by all Federal agencies on the amount of money they have spent and the type of contracts into which the Government has entered.

Due to the lack of uniformity in policy among the several Government agencies, we are finding it necessary to supplement the information furnished by the Government agencies by a simple direct inquiry to the universities and companies that have been recipients of United States Government funds for research purposes. We expect to have the compilation of this information completed not later than the end of October. At that time the subcommittee may also be able to submit recommendations for such legislation as may be necessary to protect this large public investment in research.

I will appreciate it if you will make this letter part of the record of the hearings on the surplus-property legislation now before the committee.

Very truly yours,

H. M. KILGORE.

PROPOSED ADDITIONS TO SECTION 17, S. 2065 RELATING TO STOCK-PILING OF MINERALS AND METALS BY FLOYD CROUSE

The Secretary of the Interior, in appearing before the Military Affairs Committee on August 16, endorsed section 17 of S. 2065, which freezes Government stocks of strategic minerals and metals as a permanent defense reserve, for use only in a future war emergency.

The Secretary, however, proposed two additions to this section:

(1) That it be extended to include other strategic materials in addition to the minerals and metals.

(2) That it be "integrated" with Public Law 117, Seventy-sixth Congress, an act providing for the acquisition of stocks of strategic and critical materials, with administration by a board consisting of the Secretaries of War, Navy, and Interior.

These proposed changes would greatly complicate section 17 and are heardly appropriate in a surplus property disposal bill.

Under (1), the "other strategic materials" include rubber (a highly controversial item) and various vegetable, animal, and chemical products, many of which are of more or less perishable character. Being subject to deterioration, it would be necessary to arrange for rotating the stocks, acquiring additional supplies, and selling those which have been held for some time. The minerals and metals, on the other hand, are permanent, nondeteriorating materials, readily adapted to stock-piling.

Under (2), there is no occasion for an administrative board to handle the freezing of the Government's strategic mineral and metal stocks. All that is needed is a custodian, the Treasury Procurement Division, to hold them intact for use of the Army and the Navy in the event of a future war.

In the future, Congress may well wish to enact a fully rounded out stock-piling program, providing both for additional acquisition of minerals and metals, and arrangements for handling the nonmineral strategic materials, so many of which are subject to spoilage or deterioration. The immediate problem, however, is to make sure that we do not dissipate the strategic mineral and metal stocks which we now have under the mistaken notion that they are surplus. Considering the future needs of our country and the heavy drain which the war has made on our natural resources, the stocks now held should in no way be considered surplus, and this fact should be fully recognized in any law setting up the standards for disposing of the various types of property accumulated during this war. Without such a provision, not only may these valuable strategic reserves be dissipated, but the immediate threat to our mining industry may be such as to discourage continuance of the production urgently needed for prosecuting the present war.

Section 17 of S. 2065 as it now stands in the bill is a simple, clear-cut provision to accomplish this end. It should not be complicated by additional provisions which, while possibly desirable in a subsequent over-all stock-piling measure, would complicate and overburden this section and might jeopardize its enactment at this time.

MEMORANDUM FROM THE DEPARTMENT OF JUSTICE REGARDING DISPOSAL OF SURPLUS AGRICULTURAL LANDS TO FORMER OWNERS

(Pars. (a), (b), and (c), sec. 19, S. 2065, 78th Cong., 2d sess.)

Insuperable practical and legal difficulties will be encountered by the preferential rights granted "the person from whom such land was acquired by such department or agency, or in the event of his death, his heirs" to reacquire the land at a price fixed in an amount "equal to the price paid for it at the time of its acquisition by the department or agency by which it was acquired," increased or decreased by an amount equal to any increase or decrease in the market value of such lands by reason of any improvements or changes made thereon, or by reason of the use while it was owned by the United States, "or at a price equal to the market price at the time of sale of such surplus land, whichever price is the lower," for the following reasons:

1. *Original property lines obliterated.*—In all of the Original Thirteen States and in some additional areas there are no Government sectional surveys. In the Western States, property lines were often irregular and did not follow section lines. Ownerships in some of these areas were fixed and determined by the Government only with the greatest difficulty because of natural monuments having been changed or removed in the course of time. Still more sweeping changes followed Government occupation and the original lines are wholly obliterated. For example:

Camp Campbell (more than 100,000 acres): Embracing portions of four counties in Kentucky and Tennessee, Camp Campbell was used for a tank-training area with the result that most all surface lines were completely erased or destroyed and could not again be determined.

Camp A. P. Hill, Va. (80,000 acres): The maneuvers at Camp A. P. Hill, an armored motor division training area, has also eradicated many former lines of ownership.

Camp Stewart, Ga. (360,000 acres): This project and similar training areas, as the artillery ground at Jefferson, Ind. (60,000 acres), Pine Camp, N. Y. (80,000 acres), and others, illustrate the virtual impossibility of reestablishing the lines of former ownership.

2. *Surveying expense and delay.*—In the process of paying property owners when their properties were taken, months of delay and many hundreds of thousands of dollars in surveying expenses were expended on these large land-acquisition projects merely to determine the ownership boundary lines so that proper deeds could be given to the Government and consideration based upon the acreage conveyed. At Campt Stewart, Ga., for example, there were at one time 18 to 20 survey crews in the field at one time. However, as soon as this work was completed in many projects, most of the survey lines were abandoned and obliterated. While this expensive procedure was eliminated in many large projects such as Camp A. P. Hill, Va., Wolf Creek ordnance plant, Tenn., Camp Campbell, Tenn. and Ky., Pine Camp, N. Y., and other areas, by the use of aerial photographs as a substitute for field surveys, the reverse process is not practicable as lines cannot generally be refixed by the use of aerial photography where topography has been changed.

The process of making field surveys would have to be repeated in reverse if former owners or their tenants were to have the absolute legal right to repurchase the same property from the Government, except that the difficulties of determining the property lines would in a large proportion of the cases be insuperable because of the disappearance of natural monuments and property lines due to Government use and military maneuvers. Not only would these survey expenses again be incurred, but the time required to reestablish the former boundary lines in view of an absolute right of the former owner or his tenants to purchase his former interest would cause a very considerable delay in disposal of lands.

3. Title difficulties.—While the Government, in cases of uncertain descriptions on the acuisition of these properties, was able to cure some title defects by accepting quitclaim deeds to the entire area of the project from all vendors where descriptions of an area were in doubt, this process would not work in reverse. On the contrary, the Government would have to have precise descriptions to convey back the land to the former owner or his tenant and innumerable disputes as to what the boundary lines of the former ownership had been would ensue where two owners claimed adjacent properties with conflicting ideas as to the location of the boundaries of the property.

While an attempt is made to limit the rights of former owners and their tenants to "90 days after notice has been given in the method to be determined by the Administrator," there would be disputes as to the adequacy of notice to former owners and tenants and very real legal questions would arise in cases where the former owner had died and an heir might easily assert at a later date that he had inadequate notice of the right to repurchase. Regardless of the provision in section 27 of the bill that a deed, bill of sale, or other instrument purporting to transfer title or interest in surplus property executed by or on behalf of the Administrator or the Government agency shall be "conclusive evidence of the compliance with the provisions of this act so far as the title or other interest of any bona fide purchaser or lessee, as the case may be, is concerned," contests of title would surely ensue in spite of the effort to limit the owners' and tenants' rights.

Moreover, the mandatory character of this statutory provision would constitute a virtual cloud on title to any lands disposed of as surplus by the Government until conclusive disposition of the rights of former owners and tenants, or, if deceased, their heirs. It would be further complicated where the former owner had died and left heirs who were not sui juris.

4. Necessity for approved forms of conveyance.—Section 27 of the bill provides for "a deed, bill of sale, lease, or other instrument" for conveyance of land and interest in property "which is executed by or on behalf of the Administrator, or by the Government agency." If each agency prepared drafts of conveyances without approval of the legality of the forms by a proper central agency, such procedure will result in confusion, additional increased expanse, and possible losses to the United States. Experience has shown that in the volume of disposal work, some deeds and other instruments may be so drafted as to involve obligations on the United States for which Congress has made no appropriation.

5. Issuance of warranty deeds by the Government.—While this subject demands separate consideration, it must be pointed out here that the Government should be in a position to issue warranty deeds for property sold, but only when in the opinion of the Attorney General the title in the United States Government is of such character as to justify the issuance of a warranty deed. Such discretion should be vested in the Attorney General because (*a*) he has examined the title when the property was acquired and given an opinion on its validity; (*b*) in the Attorney General's office a record has been kept of opinions given, and title evidence on which the opinion is based is available; (*c*) the Attorney General is charged by law with the conduct of all litigation in respect to disputes over title which may arise. The reasons for issuing warranty deeds (rather than merely quitclaim deeds as in the past) when in the discretion of the Attorney General a warranty deed is justified, may be summarized as follows:

6. Where Government asquired perfect title, it can safely warrant title on disposal.—In respect to thousands of tracts acquired in the war effort, the title of the Government is perfect as in all acquisitions of fee interests in realty, where declarations of taking were filed. There is no reason to give merely a quitclaim deed for such tracts. Warranty deeds can be issued with no attendant risk of liability on the part of the Government. On the other hand, many titles were acquired subject to outstanding mineral rights, restrictive covenants, rights of the public in tidelands, water rights, easements, and rights-of-way. Warranty deeds may be given even in such cases, subject to such rights, but obviously this should be done only in the discretion of the Attorney General.

(*b*) *Increased sales prices and savings to purchasers.*—A warranty deed from the United States should constitute the greatest obtainable title protection, thus eliminating the necessity for purchasers securing other title evidence or insurance policies. In those instances where the abstracts or other title evidence purchased by the Government on acquiring the property relate only to the parcel being conveyed, such evidence could also be delivered to the purchaser on disposal of the property. In future sales of the particular parcel included in such warranty deed, it should be necessary to search the title back only to such deed, which may be said to be comparable to a patent emanating from the sovereign. With such assurance purchasers will offer the full values of properties, whereas in the past and for the reasons hereinafter noted, purchases from the United States were similar to buying a "pig in a poke." For that reason, purchasers frequently did not offer the full value of properties.

(*c*) *Greater interest of public in sales.*—In the past deeds executed by the United States merely quitclaimed title to property to purchasers. Many of the properties sold were acquired through marshals' deeds under executions, levies, and sales in court proceedings during the prohibition era. In such cases the title was not examined for the United States by anyone and purchasers in many instances did not get legal title to lands. Such sales throughout the United States may have caused the general public to believe that safe titles could not be acquired in purchasing lands from the Government. As an example, two properties in Chicago acquired by the United States in this manner were recently sold by the United States for a consideration of $10 each. If advance notice is given that warranty deeds will be issued for properties, many persons who would not otherwise be interested may make offers to buy.

It scarcely need be stated that if the legal functions attendant upon approval of deeds of conveyance, and upon the issuance of warranty deeds were scattered among the several disposal agencies of Government, the following results would soon be apparent: (1) There would be no standardization and equality of policy in the approval of titles and the issuing of title evidence; (2) several agencies rather than one would have to be supervised in respect to the type of warranties issued by the Government, such warranties representing outstanding potential liabilities; (3) there would necessarily be duplications of legal staffs to the extent that legal counsel would have to be employed for title examinations; (4) there would be great delays for the rapid handling of title work requires considerable organizing and background of experience; (5) the staffs of the several agencies would not be familiar with the policies followed by the Attorney General in the consideration and approval of the titles and they would not have the accumulated data and files of the Department of Justices relating to the particular property under consideration; (6) the legal staffs of the separate agencies might be subject to administrative pressure to approve titles and recommend warranty deeds where the condition of the title would not justify such action.

Recommendaion.—It is recommended that instead of giving to former owners an absolute legal right of repurchase of their former properties—which would obstruct the disposal program for the reasons stated above—the objectives can be accomplished by expressing in the policy section of the act a desire that owners, insofar as practicable, be permitted to repurchase their properties, or, if it is not practicable or advisable to reestablish the old property lines, then they might have preferential rights to purchase the farm tract in that area.

Thus, in many cases where property lines have not been obliterated, it will be possible for the Administrator to permit the former owners to repurchase the same farms they formerly occupied, but in a preponderance of the areas to be disposed of, where the property lines have been obliterated, or where the area had best be divided up into economic farm units, the owner may be permitted preferential rights in buying a farm in that same area. Others can thus be given a preference for resettlement in that area, even though they be not on the same farm where they formerly were located, but this should be an administrative matter and not a matter of legal right fixed by statute.

It is also recommended that all conveyances be made subject to the approval of the Attorney General and that warranty deeds be authorized when, in the discretion of the Attorney General, they can be issued in the best interest of the United States Government.

This memorandum has not been submitted to the Bureau of the Budget in the usual way, because of the speed with which the above bill is being considered in the Senate, and therefore the foregoing views are not related to the President's program but are the views of the writer emanating from experience as Assistant Attorney General in charge of the Lands Division, Department of Justice.

Respectfully,

NORMAN M. LITTELL,
Assistant Attorney General.

The CHAIRMAN. The public hearings are closed.

(Whereupon, at 4:10 p. m., the committee went into executive session, after which the committee adjourned.)

APPENDIX

(Letter and Memorandum from the Coordinator of Inter-American Affairs follow:)

COORDINATOR OF INTER-AMERICAN AFFAIRS,
August 16, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: I am sending you a revised draft of the memorandum prepared by this office entitled, "Latin America as a Market for Government Stocks of Machinery and Equipment." The revision includes estimates of the value of equipment likely to be required as replacements for existing facilities, in addition to the estimates in the original memorandum concerning the equipment for the development of new plant capacity.

Although the memorandum is necessarily based on estimates, I trust that the data it contains may be of some assistance to you.

Sincerely,

NELSON A. ROCKEFELLER,
Coordinator.

LATIN AMERICA AS A MARKET FOR GOVERNMENT STOCKS OF MACHINERY AND EQUIPMENT

(Washington, August 1944)

INTRODUCTION

To estimate the value of used equipment that may profitably be utilized in the other American republics in the 10 years following the cessation of hostilities, it has been necessary to estimate the total investment in the form of land, labor, buildings, machinery, and equipment that can profitably be made in that period. Incomplete information indicates that the value of productive machinery and equipment currently in use in the other American republics may approximate $7,000,000,000. It appears reasonable to suppose that this amount could be doubled in the 10 years following the war. During the war existing capital goods have been subjected to heavy usage, frequently without adequate repair. Depreciation and obsolescence have reduced the effectiveness of such equipment. It may be assumed, therefore, that, within the first 4 years after the war, 40 percent of the existing capital equipment will require replacement. Thus, industrial expansion and replacement combined may amount to as much as 9.8 billion dollars (expansion 7 billion, and replacement 2.8 billion). Such suppositions, however, are based upon the further assumption of the prevalence of favorable economic and political conditions not only in the other American republics and the United States but also in the other nations of the world. These conditions would include a high level of employment in large industrial countries, a reduction in trade barriers, the pursuance of sound fiscal policies, the maintenance of stable currencies, and the adoption of a cordial attitude toward foreign capital, and foreign technicians and entrepreneurs.

Value of used equipment.

Inasmuch as the United States will be the major capital-exporting country after the war, it has been assumed that this country will provide most of the equipment obtained by the other American republics from abroad, at least in the first 10 years after the cessation of hostilities. It remains, however, to estimate what proportion of the total will be supplied from abroad, and what proportion

will be used or new equipment. Such estimates, together with the assumptions on which they are based, are set forth in detail in the appendix; they may be summarzied as follows:

[Millions of dollars]

	New development	Replacement	Total
Equipment from the United States:			
Used equipment	920	700	1,620
New equipment	2,760	1,400	4,160
Total from the United States	3,680	2,100	5,780
Equipment and materials from the other American republics	3,332	700	4,032
Total from all sources	7,012	2,800	9,812

Total estimated requirements for new and used equipment to be employed in new development and replacement in the first 10 years after the war are shown for each of the other American republics in table 1. The basic data for this table are given in the appendix.

TABLE 1.—*Total estimated requirements of the other American republics for equipment for new plant capacity and replacement, by countries, in the first 10 years after the war*

[In millions of United States dollars]

Country	United States equipment			Latin-American equipment	Total
	Used	New	Total		
Argentina	180.0	465.0	645	522	1,167
Bolivia	32.0	82.0	114	48	162
Brazil	566.0	1,460.0	2,026	1,633	3,659
Chile	115.0	299.0	414	331	745
Colombia	108.0	278.0	386	177	563
Ecuador	29.5	74.5	104	42	146
Paraguay	10.0	25.0	35	14	49
Peru	83.5	212.5	296	136	432
Uruguay	29.5	76.5	106	49	155
Venezuela	45.0	115.0	160	74	234
Costa Rica	6.5	15.5	22	9	31
Cuba	54.0	138.0	192	88	280
Dominican Republic	14.5	35.5	50	20	70
El Salvador	14.0	34.0	48	19	67
Guatemala	25.0	62.0	87	35	122
Haiti	13.0	32.0	45	18	63
Honduras	6.0	14.0	20	8	28
Mexico	276.0	710.0	986	791	1,777
Nicaragua	8.0	19.0	27	11	38
Panama	4.5	12.5	17	7	24
Total	1,620.0	4,160.0	5,780	4,032	9,812

In any program of economic development covering the first 10 years after the war, it appears likely that the total quantity of equipment required from the United States will increase progressively because of the time needed to develop essential plans, because the United States will be better able to supply equipment after the period of reconversion, and because the other American republics will be able to absorb increased quantities of equipment with the establishment and expansion of basic industries. The demand for used equipment, however, will probably decline as the program advances. This is chiefly because large stocks of used equipment will be available in the first few years after the war, whereas new equipment will not be obtainable in large quantities, or at least in quantities sufficient to meet the demands for both domestic consumption and export. The backlog of demand for replacement equipment will probably be liquidated in the first 4 years after the war. Of the $1,620,000,000 in used equipment which the other American republics may absorb in the first 10 years after the war, it is estimated that 1,200,000,000 will be purchased in the first 4 years (see appendix, tables 3 and 6). It is not anticipated, however, that all of this demand can be met from Government stocks, inasmuch as such stocks will not contain all of the various types of machinery and equipment which the other American republics will require. It has been estimated, therefore, that 60 percent of the requirements of the other American republics for used equipment may be met from Government stocks. If this estimate is correct, it may be assumed that purchases by the other American republics of surplus stocks of used materials held by agencies of the United States Government will be valued at $720,000,000 in the first 4 years after the war. These purchases might occur in the following order:

[Millions of dollars]

Year	Value		Total
	New development	Replacement	
First	90	160	250
Second	75	150	225
Third	75	90	165
Fourth	60	20	80
Total	300	420	720

Types of equipment.

The types of equipment which the other American republics are likely to require will range from complete hospital trains to simple hand tools, such as shovels, axes, and machetes. They would include bulldozers, tractors, and trucks for road building; landing boats and barges for river transportation and ocean-going vessels; cranes and other port equipment, locomotives and care for railways; planes and equipment for airports; refrigeration units for the preservation of foodstuffs, including meats and fish; electrical equipment of all kinds; mobile medical units; mobile repair units; mobile power units; and machine tools, lathes, and saws. The general types of equipment with specific examples are shown below; the list, however, is intended to be illustrative rather than complete.

Classification of equipment [1]

Type of equipment	Typical commodities and equipment required
Power and communication	Installation equipment, generators, transformers, cables, steel.
Hydroelectric generation and transmission.	
Telephone, telegraph, and radio.	
Transportation:	
Highway	Trucks, cars, busses, road-building equipment, bridges, tents.
Railway	Locomotives, cars, parts, rails.
Water	Boats, motors, dredges, dock equipment, cranes.
Air	Planes, equipment for airports and repairs.
Building construction	Tools, construction materials, cranes.
Manufacturing	Equipment and materials, machine tools, refrigeration units, lathes.
Food processing.	
Textile.	
Iron and steel.	
Chemicals.	
Other.	
Agriculture	Farm equipment, refrigeration units, mobile power units, jeeps, trucks.
Mining and petroleum	Mining and drilling equipment, derricks.
Lumbering, woodworking, and paper	Lathes, saws, equipment.
Fishing	Boats, marine equipment, refrigeration units.
Scientific apparatus	Dental and medical supplies, mobile medical units, pharmaceuticals.
Consumer goods	Clothing, shoes, batteries, flashlights, miscellaneous.

[1] In the estimates which follow of the new and used equipment likely to be required by each country, the 10 major classifications shown above have been used. In each case they include the types of equipment indicated in this list.

Estimates of the value of the various types of equipment, used and new, which the other American republics may require from the United States for new development and replacement in the first 10 years after the war, are given in table 2. A similar tabulation for each country appears in the country sections.

TABLE 2.—*Estimated total value of used and new machinery and equipment required from the United States in the other American republics, by types, in the first 10-year post-war period* [1]

[In millions of dollars]

Type	Used	New	Total
Total	1,619.8	4,156.5	5,776.3
Power and communication	180.7	817.8	998.5
Transportation	468.0	1,179.2	1,647.2
Building construction	150.8	333.5	484.3
Manufacturing	357.7	788.7	1,146.4
Agriculture	178.5	424.4	602.9
Mining and petroleum	78.0	190.9	268.9
Lumbering, woodworking, and paper	36.8	94.8	131.6
Fishing	22.6	51.2	73.8
Scientific apparatus	55.1	56.5	111.6
Consumer goods	91.6	219.5	311.1

[1] Includes estimates for both the development of new plant capacity and the replacement of depreciated and obsolete equipment.

Channels of distribution.

For all types of equipment of which there will be large stocks after the war, arrangements should doubtless be made for distribution through private channels. Private enterprise should distribute articles in large supply because:

(1) Business organizations have the necessary experience and facilities to handle most efficiently a task of such magnitude.

(2) Distribution through commercial channels would enable United States firms quickly to reestablish their position in the Latin-American markets, an achievement which would prove profitable to the United States economy in both the short and long run; and

(3) The Government neither wishes to engage extensively in trade nor is it equipped to do so.

Products which might well be distributed through ordinary commercial agencies would include trucks, road-building and construction equipment and supplies, lathes, machine tools, electric equipment and supplies, cranes, railway and dock equipment, refrigeration units, and consumer goods of all kinds. In making such sales, however, the United States Government may find it both necessary and expedient to exercise control over the quality of the articles distributed and the prices at which they are sold. Such precautions would appear desirable as a protection to Latin-American purchasers and as a method of encouraging future sales of new products. Unless handled with care and equity, the sale of used equipment abroad could seriously impair the reputation of the United States, its citizens, and its products.

For some types of equipment the United States Government may be forced to act as the distributing agent. Because of special circumstances, private firms may be neither able nor willing to dispose of certain products; in other instances it may be impolitic to have them do so. A few illustrations are given below:

(1) There are no established distribution channels for such highly specialized equipment as hospital trains, mobile medical units, landing boats, barges, and steamships.

(2) Some articles might be so few in number as to make their distribution unprofitable to private enterprise unless prices were raised to uneconomic levels.

(3) Should the government of one of the other American republics wish to purchase equipment on its own account, it may prefer to deal directly with the United States Government, particularly when long-term credits are involved.

(4) The sale of munitions should obviously be controlled by the Government.

Methods of financing.

The method of financing the sale and export of used equipment from Government stocks will be dependent in part upon the terms extended by the United States Government to the domestic purchaser and distributor and in part upon the character and financial standing of the United States distributor and the foreign purchaser. Should generous credit terms be extended by the Government to United States distributors, it would then be possible for them to extend favorable terms to foreign purchasers. If the distributing firm should be one of the large United States corporations, such as General Motors, it is unlikely that financial assistance would be required; but if it were required, it could be secured through the corporation's banking connections. Moreover, a number of the large firms in the other American republics have accumulated substantial dollar balances and will not find it necessary to seek special credit arrangements.

Credit assistance, however, will be required for many of the transactions covering the export of used equipment. If the credit is to be extended by commercial banks, they may desire to obtain at least a partial discount or guarantee from such an institution as the Export-Import Bank. Moreover, United States exporters, if they are unable to obtain adequate credit terms from commereial banks, will seek to obtain the necessary assistance directly from the Export-Import Bank. The bank will, of course, be asked to finance whatever distribution of equipment is handled directly by the Government.

Because of the interest in industrial and other economic developments in the other American republics and elsewhere, it appears certain that the United States will be a large exporter of capital goods (both used and new equipment) in the post-war period. For many of these exports, credits will be required. Inasmuch as this development in trade, if soundly conceived, will be profitable to the United States and will be necessary to maintain a high level of industrial activity and employment, adequate credit facilities should be provided. It would seem advisable, therefore, to consider the possibility of increasing substantially the capitalization of the Export-Import Bank.

ARGENTINA

Basic data.

Argentina, second largest country of Latin America, contains about 1,079,900 square miles, mostly lowlands. Leading manufactures include food, beverage, tobacco, textile, cement, paper, electrical equipment, tire, automobile assembly, glass, pharmaceutical, and fabricated iron and steel products. Agriculture is the major export industry. Principal export crops are wheat, corn, and flaxseed; alfalfa, cotton, sugarcane, and potatoes are grown chiefly for domestic consumption. Many cattle, sheep, goats, and hogs are raised; the country is the world's largest exporter of meat. Mineral production, except for petroleum, lead, and zinc, is unimportant; coal and iron-ore deposits are limited and of low quality; and few hydroelectric sites are located near large centers of population or industry.

Of the population of 13,906,694 in 1943, 97 percent (a larger proportion than in any other Latin-American country) are estimated to be of European descent. Spanish is the official language, and about 85 percent of the persons more than 18 years of age are believed to be literate. Foreign trade generally is larger than that of any other country in Latin America; exports ordinarily exceed imports. The national income for 1943 was estimated to be 2.5 billion dollars.

Argentina's pre-war fleet of steamers and motorships stood first in number and third in tonnage (313,000 in 1939) in Latin America. It also has the best railway system; there were 28,773 miles of line in 1941. Of the 30,186 miles of highways in 1942, 37 percent were improved. Vehicle registrations at the end of 1943 included 217,200 passenger cars, of which 75 percent were in service; 72,250 trucks, with 83 percent operating; and 10,500 busses, with 67 percent in operation. Air-line service in that year was provided by 4 international and 3 local companies; the local services operated 17 multiengine aircraft over 4,551 route miles of airways with 19 airports of class III or larger and 45 of class II or smaller.

Government expenditures in 1942 exceeded revenues by 23 percent. The country's external debt was 1,300,000,000 pesos (about $325,000,000) and the internal debt 6,969,000,000 pesos ($1,742,000,000). British investments, more than one-half in railways, total about £384,000,000 ($1,536,000,000), and United States investments $570,000,000. All but about 25 percent of Export-Import Bank loans totaling $370,000 had been repaid by March 31, 1944. Gold and foreign-exchange holdings totaled $1,088,000,000 at the close of 1943; a complex system of exchange control is maintained.

Manufacturing, in which Argentina leads all Latin-American countries, recently has expanded more rapidly than agriculture and now exceeds the latter in total value of products. From 1935 to 1941 the number of manufacturing establish-

ments increased by 45 percent to 58,000, the number of employees by 60 percent to 862,000, and the gross value of production by 80 percent to 6.3 billion pesos. Except for some elements of heavy industry, Argentine industrialization has been more completely developed than in any other Latin-American country.

Instrumentalities for development.

An industrial credit bank with a capital of $50,000,000 has been established in Argentina to extend long-term credit facilities to industrialists; the fund may participate in such financing up to 30 percent of the initial requirement of capital. In April 1944 an industrial loan bank reportedly also was established, capitalized at about $12,500,000.

Program for economic development.

The centers of activity for the planning of Argentina's post-war trade have been the Central Bank of the Argentine Republic, and the Corporacion para la Promocion del Intercambio established in 1940 and now attempting the rationalization of imports and domestic industry. Representatives of more than 200 leading industries and commercial enterprises also established a Permanent Congress of Studies of Post-War Problems on April 16, 1943.

It has been estimated that the possible development of new plant facilities in Argentina will require machinery and equipment from the United States valued at $417,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $228,000,000. A segregation of these two categories into used and new equipment is shown below:

[In millions of dollars]

	Used	New	Total
New development	104	313	417
Replacement	76	152	228
Total	180	465	645

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Argentina: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	180	465	645
Power and communication	20.8	54.0	74.8
Transportation	48.3	123.5	171.8
Building construction	17.3	45.0	62.3
Manufacturing	34.6	89.0	123.6
Agriculture	26.0	66.5	92.5
Mining and petroleum	20.8	55.0	75.8
Lumbering, woodworking, and paper	1.7	4.5	6.2
Fishing	.8	2.3	3.1
Scientific apparatus	1.7	4.5	6.2
Consumer goods	8.0	20.7	28.7

BOLIVIA

Basic data.

Mining is the most important industry in Bolivia and the one on which its foreign trade largely depends. Tin is by far the leading mineral, but Bolivia also produces silver, copper, gold, tungsten, bismuth, lead, antimony, zinc, and petroleum. In the period 1938–41 minerals constituted more than 90 percent of the total Bolivian exports, with tin alone accounting for about 70 percent. Agriculture has not been well developed, although ample potentialities exist. The land is tilled with primitive tools and productivity is extremely low. Agricultural commodities are raised chiefly for the domestic market, and Bolivia is a net ilmporter of food products.

Manufacturing industries are of small importance. They are limited for the most part to the processing of foodstuffs and beverages, and the production of textiles, furniture, tobacco, glassware, and chemical products.

The population of Bolivia in 1942 was about 3,500,000. The national income was estimated at slightly more than $120,000,000 for the year 1943. The per capita income of $34 per annum is one of the lowest in South America.

At the end of 1943, 2,545 passenger cars, 4,481 trucks, and 148 busses were registered in Bolivia. There are less than 4,000 miles of roads, mostly unpaved. Railways maintained about 1,300 miles of track, and carried 1,231,400 passengers in 1939. In March 1943, 3 air lines, 2 of which were national, served Bolivia.

During the Chaco War which ended in 1939 domestic expenditures far exceeded revenues, and an additional substantial deficit occurred in the following year. Since 1937, however, Bolivia has enjoyed sizable budgetary surpluses. The budget for 1944 authorizes the expenditure of 1,225,000,000 bolivianos, of which about 2 percent is set aside for the servicing of Government debts, 20 percent for national defense, and 14 percent for education. Of the anticipated revenues for 1944 direct and indirect taxes are budgeted to yield 94 percent, national property and services 2 percent, and miscellaneous 4 percent. Taxes on the mining industry account for more than 50 percent of the total revenues.

Instrumentalities for development.

The Bolivian Development Corporation began operations in January 1943; its objectives are "the development of natural resources of Bolivia, and the development, increase, and improvement of agriculture, mining, petroleum, forestry, industry, and commerce in general, and of transportation, as well as the construction of public works and others of general interest and utility within the Republic of Bolivia." The corporation is capitalized at about $30,000,000.[1] The working capital consists wholly of funds paid in by the Government. The corporation has made substantial loans for the development of mining, agriculture, petroleum, and public works, and has undertaken some highway construction and experimental projects. The Bolivian Commission of Inter-American Development is a nongovernment agency devoted to the promotion and encouragement of domestic industries.

Program for economic development in Bolivia.

The Development Corporation has initiated studies and made plans for agricultural improvement, the exploitation of new mineral resources, highway construction, and similar activities for the purpose of utilizing more effectively Bolivian resources.

It has been estimated that the possible development of new plant facilities in Bolivia will require machinery and equipment from the United States valued at $71,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional 43 million. A segregation of those two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	18	53	71
Replacement	14	29	43
Total	32	82	114

[1] A credit of 15.5 million dollars was established for the corporation by the Export-Import Bank, but as of June 30, 1944, it had not been utilized.

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Bolivia: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	32	82	114
Power and communication	3.2	8.2	11.4
Transportation	7.2	18.1	25.3
Building construction	1.2	3.2	4.4
Manufacturing	5.5	13.9	19.4
Agriculture	3.9	9.8	13.7
Mining and petroleum	6.4	16.4	22.8
Lumbering, woodworking, and paper	.9	2.5	3.4
Fishing			
Scientific apparatus	.5	1.7	2.2
Consumer goods	3.2	8.2	11.4

BRAZIL

Basic data.

Brazil, with an area of 3,286,170 square miles, is larger than continental United States, varies greatly in topography and climate, and possesses vast natural resources. Agricultural production is diverse and includes coffee, cotton, cacao, tobacco, rice, sugar, fruits, wheat, corn, barley, rye, cassava, potatoes, yams, and beans. The suitable climate, abundance of fine grazing lands, and ample vegetation have made possible a substantial and growing livestock industry. The resources of the Brazilian forests have only been partially developed. Principal products include carnauba wax, maté, timber, oil-bearing nuts, and rubber. In minerals Brazil is one of the richest areas in the world. In addition to coal, iron, and copper, it has large manganese deposits, mica, lead, zinc, mercury, chromium, nickel, bauxite, gold, platinum, precious stones, marble, and a variety of lesser metals and minerals including beryllium. Manufacturing has increased considerably in the last 50 years and the rate of growth has been accelerated particularly in the last 15. Industry has been diversified and self-sufficiency has been attained in the production of many consumer goods. The processing of foodstuffs and the production of textiles are the two largest manufacturing industries. Others include those producing containers, shoes, hats, tobacco, chemicals, paper, furniture, lumber products, leather products, cement, pig iron, rolled iron and steel, and other steel products. Most of the equipment used in industry is imported, whereas four-fifths of the materials processed are produced within the country. Brazilian export trade consists largely of coffee and cotton; the principal imports are machinery, equipment, coal, vehicles, tools, iron and steel and chemical products.

The population of Brazil has increased from 30.6 million persons in 1920 to 41.6 million in 1940—nearly 40 percent in 20 years. The Amazon jungle is thinly populated, three-fourths of the inhabitants of the country living in an area within 100 miles of the coast. National income is estimated at $4,750,000,000 dollars or $107 per capita; hence the domestic market for manufactured products is limited. Wages paid to industrial and agricultural workers are now, resulting in correspondingly low levels of living; more than one-half of the population is illiterate. The development of domestic markets is also handicapped by inadequate transportation.

The vastness of the country, the rough terrain in the highlands, the irregular rivers, torrential rainfalls, and rapidly growing dense vegetation make highway and railroad construction, and maintenance difficult and costly. Recognizing the need for better facilities, Federal, state, and local governments have cooperated in road-building programs. In 1940 highway mileage totaled 258,390, of which 246,926 miles were of earth and lacked hard surfacing. Of 218,564 registered motor vehicles, only 136,892 are in operation as a result of fuel and supply shortages. There are about 21,250 miles of railroad in Brazil, located mostly in the states of Minas Geraes, Sao Paulo, Rio de Janeiro, and Rio Grande do Sul. The maintenance of roadbeds and tracks has been seriously handicapped by lack of rails, supplies, and equipment. Of the 23,000 miles of navigable rivers in Brazil, the major portion is accounted for by the Amazon system, the Sao Francisco River, and the Parana-Paraguay system. Coastwise shipping is important, inasmuch as there is a concentration of population along the seacoast. The merchant marine is the fourth largest in the Western Hemisphere. In 1943 there were 7 air lines, flying 175,013 scheduled miles per week over 37,728 unduplicated route-miles. Commercial aviation has expanded rapidly, is heavily subsidized (both directly and indirectly by the Government), and is preparing for post-war expansion.

With steel as a foundation, Brazil is developing a program of industralization designed to revolutionize its economy. The steel-mill project at Volta Redonda is nearing completion. This development will cost about $75,000,000, will utilize high-grade ores from Itabira, and will produce 750,000 tons of steel annually. The ores of the country are not only of excellent quality but constitute 25 percent of the known iron ore reserves of the world. The coal deposits of Santa Catarina, 700 miles to the south, are being utilized and, although of inferior quality, can be treated and mixed with higher grades to obtain satisfactory results.

In 1920 there were 13,000 plants with 275,000 employees; in 1940 the number of enterprises had increased to 70,226 with 1,412,432 workers. In 1920 Brazil had 356 power plants; in 1939, 1,200. Workers are distributed among the principal industries as folows: Textile 22 percent, building construction 15 percent, foodstuffs 13 percent, iron and steel 10 percent, clothing 8 percent, chemicals 7 percent, potteries 5 percent, tobacco 4 percent, and furniture 3 percent. The rate of industrial expansion is indicated in the following tabulation which compares the value of industrial production in 1938 and 1943.

Industrial production, 1938 and 1943

[In thousands of dollars]

Industry	1938	1943	Industry	1938	1943
Foodstuffs	344,880	500,000	Machinery and mechanical workshops	16,720	25,000
Textiles and yarns	231,390	310,000	Rubber goods	2,050	25,000
Made-up and ready-made goods	89,340	110,000	Tobacco	15,780	20,000
Chemicals, pharmaceuticals, and perfumery	76,010	105,000	Leather goods	13,310	20,000
Construction industries	31,500	95,000	Railroad rolling stock and vehicles	10,500	10,000
Iron and steel metallurgy	57,400	85,000	Toys, games, musical instruments	3,480	5,000
Paper and graphic arts	25,880	70,000	Other	2,381	60,000
Processing of materials (including minerals)	35,100	65,000	Total	1,000,671	1,565,000
Wood and furniture	44,860	60,000			

The Brazilian Government is pursuing a policy of deficit financing which has been followed for many years but is currently accelerating as a result of war demands. Ordinary expenditures increased from 4,355,000,000 cruzeiros in 1939 to 5,270,000,000 in 1943. The total deficit for the period 1939–44 amounts to 3,800,000 cruzeiros. The rapid expansion in internal debt which is serving to finance the deficit has sharply inflated prices. The settlement of the Brazilian external debt in 1943, and the possession of Brazil of gold and foreign exchange holdings of more than $500,000,000 will expedite the finances of the country's program of industrialization.

Instrumentalities for development.

In September of 1942 the Office of the Coordinator of Economic Mobilization, to control production, prices, distribution, transportation, and foreign commerce, was created. Early in 1943 the Commission for the Financing of Production was authorized to aid in the development of industries to meet local requirements; in November 1943 the National Council of Industrial and Commercial policy as established. This council, composed of 2 representatives of industry, 2 of trade, 1 each of the Ministries of Finance, Agriculture, Transport, and Public Works, and 5 other persons prominent in political and social science appointed by the President of the Republic, is to recommend the creation of basic industries and present plants therefor.

In addition, there are many government agencies in Brazil directly or indirectly concerned with the industrial development of the country. The petroleum industry is under the control of the National Petroleum Council. Mining indus-

tries are regulated by the National Council of Mines and Minerals, the National Department of Mineral Production, State Mineral Production Departments, and the National Salt Institute. The production of alcohol is supervised by the Sugar and Alcohol Institute. Authority over the electric-power industry is exercised by the National Council of Water and Electric Power. To these agencies should be added the Brazilian Commission of Inter-American Development, the Technical Council of Finance and Economy, the Federation of Industries of the State of Sao Paula, and similar representative groups of businessmen actively planning along industrial lines for the post-war period.

Program for economic development.

The Coordinator of Economic Mobilization recently stated that plans for the industrial development of Brazil would require at least $2,500,000,000 and possibly $4,000,000,000 within the next decade. These projects include a more complete utilization of the hydroelectric potential of 20,000,000 horsepower (at present only 7 percent has been developed), the completion of a coastal system of railroads from the Uruguayan border to Belem and a secondary system to connect coastal with interior railroads, a highway network program, the further expansion of the iron and steel industry, the mechanization of agriculture using modern techniques and equipment, and extensive public works program, the development of mining and metallurgy, the expansion in the production facilities for textiles, cement, chemicals, glass, paper, electric equipment, food processing, aircraft, rubber, and a variety of consumer goods. Although many of these projects are in the blueprint stage, others have been initiated, orders placed, and construction started. Progress is being delayed in numerous instances because of current wartime shortages and the inability to secure machinery and equipment from abroad.

It has been estimated that the possible development of new plant facilities in Brazil will require machinery and equipment from the United States valued at $1,307,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $719,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	327	980	1,307
Replacement	239	480	719
Total	566	1,460	1,026

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Brazil: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	566.0	1,460.0	2,026.0
Power and communication	69.2	474	543.2
Transportation	155.7	385	540.7
Building construction	69.2	120	189.2
Manufacturing	121.2	240	361.2
Agriculture	69.2	150	219.2
Mining and petroleum	13.9	18	31.9
Lumbering, woodworking, and paper	5.2	11	16.2
Fishing	3.5	8	11.5
Scientific apparatus	41.6	24	65.6
Consumer goods	17.3	30	47.3

CHILE

Basic data.

The economy of Chile is closely associated with mining. The country ranks second to the United States in the production of copper, and is the only country in which deposits of sodium nitrate exist in quantities sufficient for commercial exploitation. In 1938 exports of minerals constituted more than 78 percent of total exports, in terms of value, copper accounting for 48 percent, and nitrates for more than 22 percent. Chile is also the chief Latin-American coal-producing country, although the quality of the product is low; large iron deposits have been developed for many years. Numerous other minerals are mined, including gold, silver, manganese, cobalt, molybdenum, borate of lime, salt, lead, aluminum, bismuth, mercury, mica, zinc, and sulfur. The country possesses extensive stands of timber and a large supply of fish, both of which have been exploited to a limited extent only. Potential water power is sufficient to multiply the present power output 16 times.

Although minerals predominate in the export trade of Chile, most of the population is engaged in agriculture. The principal cereal crop is wheat, and large quantities of barley and oats, as well as some rye and corn, are grown. A great variety of vegetables is produced, and there has been a considerable development of fruit growing. Cotton is raised in substantial quantities. Chile is also an important livestock country, the chief pastoral activities being the raising of sheep and cattle.

Chile, with about 5,300,000 people, is the sixth most populous country in Latin America. The national income, although low, has been increasing rapidly in recent years. It has been estimated at $355,000,000, or $69 per capita, for 1940, and $548,000,000, or $103 per capita, for the year 1943. Official holdings of gold and foreign exchange, reported to be $36,000,000 at the end of 1939, had increased to an estimated $85,000,000 by the end of 1943.

In 1941 Chile had 5,737 miles of railway, of which 3,637 miles were owned by the state. In March 1943 the country was served by both a national and an international air line. Ninety steamers and motorships were registered in 1938, with a total tonnage of approximately 138,000, which increased to 176,000 in 1939. Between January and November 1942, 8,847 ships (9,689,356 registered tons) carried 2,657 incoming and 3,025 outgoing passengers. On December 31, 1943, 35,000 passenger cars, 17,921 trucks, and 2,595 busses were registered in Chile. Of these, only 63 percent were in operation. There are slightly more than 25,000 miles of roads, but less than one-half are improved.

For several years the Chilean budget has not been balanced; in 1943, expenditures exceeded revenues by 25 percent. National defense usually accounts for nearly 30 percent of expenditures. Customs duties yield about 30 percent of local revenues.

Manufacturing has developed rapidly in Chile since 1930. The principal products are consumer goods, such as cotton and rayon textiles, shoes and leather goods, glassware, enamelware, and some construction materials, including cement and plywood. The country now is able to supply a large part of its requirements for light consumer goods, but is still dependent upon imports for most of its iron and steel and heavy producers' goods. A steel plant is planned with an initial capacity of 100,000 tons annually, and it is reported that a copper fabricating plant, with a capacity of 30,000 tons of finished copper per year, has been purchased in the United States.

Instrumentalities for development.

The economic development of Chile has been stimulated and assisted by the Bolivian Development Corporation (Corporacion de Fomento de la produccion), which was established in 1939, as an autonomous Government Corporation, for the purpose of promoting national production to improve levels of living and the balance of trade. The Corporation has furnished capital to many business firms, through loans and purchases of shares. It has also given financial and other aid to agriculturists. Its total assets at the end of 1942 were valued at approximately $37,000,000.

The Institute of Industrial Credit, created in 1935, is an important source of industrial credit in Chile. It is capitalized at about $2,400,000, of which 30 percent was subscribed by the state and 70 percent by various officials and semiofficial agencies of the Government.

The Agricultural Colonization Bank was established in 1935 for the purpose of extending loans to farmers. It is capitalized at about $2,400,000, all of which was contributed by the Government.

The Chilean Commission of Inter-American Development is a nongovernmental body for the encouragement and promotion of industrial development within the country.

Program for economic development.

The Fomento Corporation has surveyed Chile's productive potentialities, and has made extensive plans for the further economic development of the country, notably in the field of hydroelectric power, as well as in manufacturing, mining, agriculture, commerce, and transportation.

It has been estimated that the possible development of new plant facilities in Chile will require machinery and equipment from the United States valued at $266,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $148,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	66.5	199.5	266
Replacement	49.0	99.0	148
Total	115.5	298.5	414

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Chile: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	115.5	298.5	414
Power and communication	17.9	45.0	62.9
Transportation	31.1	80.5	111.6
Building construction	8.0	20.3	28.3
Manufacturing	23.3	60.4	83.7
Agriculture	14.4	36.0	50.4
Mining and petroleum	4.6	12.5	17.1
Lumbering, woodworking, and paper	4.6	12.5	17.1
Fishing	3.5	9.0	12.5
Scientific apparatus	2.2	5.5	7.7
Consumer goods	5.9	16.8	22.7

COLOMBIA

Basic data.

The Republic of Colombia, with an area of 450,000 square miles, has a population of 9.5 million with a per capita income of $75. Four-fifths of the people are directly dependent upon agriculture. The principal crops are coffee, sugar, bananas, cacao, cotton, tobacco, rice, and indigo. Mineral resources of petroleum, gold, platinum, coal, and iron are extensive, but not in all cases readily accessible. Despite a vast hydroelectric potential there is an acute shortage of power.

The chief barrier to the immediate economic development of Colombia is the absence of adequate and cheap transportation facilities. Because of rugged terrain, the construction of highways and railroads is difficult and costly. There are about 1,360 miles of railroad in operation and 7,300 miles of highway in service, with an additional 5,440 miles of road under construction. Of a total of 32,042 registered motor vehicles, only 28,740 are in operation, about 10 percent being inactive because of the lack of parts. Air transport is of significant importance to the Colombian economy. In 1940 the major air line carried 53,000 passengers and 5,650 tons of cargo. Regular service is maintained over 7,350 unduplicated route-miles, the weekly schedule covering 52,047 miles.

Colombian manufacturing was stimulated by World War I, but its principal growth has been since 1930. In 1915 there were 121 plants, with a total capital of $12,000,000, classified as manufacturing establishments. By 1940 the number had increased to 1,550, with combined capital of 70 million dollars and an annual production of 108 million. A total of about 43,000 workers were employed. Textiles rank first in importance, followed by beer, sugar, cement, flour, cigars and cigarettes, metal manufacturers, vegetable oils, and chemicals. Four industries, textiles and yarns, beer, sugar, and cement, account for 70 percent of the total. The metal-working industry is becoming increasingly significant. In 1930 the industry had a total capital of less than $50,000; in 1940 there were 99 plants, employing 1,900 workers, with an investment of 2.2 million dollars and an annual production of 3.2 million.

Power is generated in Colombia principally by means of hydroelectric installations, capitalized at about $30,000,000. An acute shortage of power currently exists which cannot be alleviated until generating equipment and heavy installations can be acquired. The railroads, highway transportation, mining, manufacturing, and power industries are all suffering from the lack of materials, equipment, and machinery. Imports have decreased sharply since the war created shortages, notably in the United States. Gold and foreign exchange holdings have increased from $22,000,000 in 1941 to $114,000,000 in 1943.

Instrumentalities for development.

Two agencies in Colombia are chiefly concerned with the industrial development of the country; these are the Ministry of National Economy and the Industrial Development Institute (Institute de Fomento Industrial). The Ministry of National Economy is authorized to organize processing plants, to establish warehouses, to aid producers' cooperatives in agriculture, and to establish research laboratories. Organized in 1940, the Industrial Development Institute is capitalized at 4,000,000 pesos, 3,000,000 of which were supplied by the Government and 1,000,000 by the Central Mortgage Bank. Despite its recent organization, the institute has already advanced several million pesos for the development of the sugar, tanning, milk, chemical, salt, yeast, and iron and steel industries. In addition, it has engaged in extensive exploration of the country's iron-ore reserves. The Inter-American Development Commission of Colombia is actively assisting in the economic development of the country by aid in economic planning and in securing the cooperation of private interest in new enterprises.

Program for economic development.

The public works program of the Government calls for the construction of a network of highways and for the paving of major existing roads. Plans have also been made for a drainage and irrigation program involving an initial cost of $25,000,000. A project to complete the railway between Bogota and Buena Ventura is being held in abeyance only until materials for construction are available. It is estimated that the railroads needs rolling stock valued at more than $7,000,000. The Institute of Industrial Development has invested 2,700,000 pesos in industry and has an additional 3,000,000 awaiting investment. Enterprises which the institute has begun, or in the initiation of which it has participated, include the following: The production of iron, steel, lead, zinc, mica, salt, chlorine, coal, and mineral water; the development of forest products including lumber, the extraction of tanning fluid from mangrove bark, and fique fiber; the manufacture of fertilizers from animal bones; the recovery of potassium from mineral water; the construction of nitrogen plants; the mining of arsenic-bearing minerals; the production of rotenone; the manufacture of tires; the construction of small craft suitable for river transportation; woolen mills; the processing of dairy products; the manufacture of glass; and the production of sulfuric acid.

It has been estimated that the possible development of new plant facilities in Colombia will require machinery and equipment from the United States valued at $241,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $145,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	60	181	241
Replacement	48	97	145
Total	108	278	386

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Colombia: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	108.0	278.0	386.0
Power and communication	9.0	78.0	87.0
Transportation	22.4	54.0	76.4
Building construction	9.0	30.0	39.0
Manufacturing	53.0	84.5	137.5
Agriculture	3.7	7.0	10.7
Mining and petroleum	3.7	12.0	15.7
Lumbering, woodworking, and paper	1.8	5.0	6.8
Fishing	1.8	1.5	3.3
Scientific apparatus	1.8	3.0	4.8
Consumer goods	1.8	3.0	4.8

COSTA RICA

Basic data.

Costa Rica, with an area of 19,238 square miles, has a population of 705,000 and a per capita income of $134. The country is primarily agricultural. The principal crops are coffee, bananas, and cacao, with a wide variety of fruits and vegetables grown for domestic consumption. The forest reserves are extensive but little developed. Although deposits of silver, copper, manganese, iron, nickel, mercury, and sulfur are known to exist, there has been little mineral exploitation except gold mining. Manufacturing is limited to the production of consumer goods, there being about 3,000 small industrial establishments. Foreign capital in Costa Rica is estimated at about $65,000,000 and is invested largely in agriculture, public utilities, and railroads. There are 528 miles of railroad in the country and 1,800 miles of highway. Motorcar registrations total 3,987, of which 1,265 are trucks and 350 busses. About 10 percent of the total are not in operation because of shortages of fuel, tires, and repair parts. In 1940 there were 34 public and 10 private power plants, most of which were hydroelectric. Costa Rica lacks large resources of industrial raw materials; transportation facilities are inadequate, and the domestic market is limited by the low purchasing power of the people. The republic possesses substantial hydroelectric potentials but coal, petroleum, and machinery must all be imported.

The budget position of Costa Rica is weak. Revenues have declined sharply and the cumulative budget deficit for the 4 years ended December 31, 1943, was 75,000,000 colones. Gold and foreign exchange holdings have increased from $2,000,000 in 1939 to $16,000,000 in 1943.

During the war acute shortages have appeared in building and construction equipment, electrical supplies, gasoline, motorcars and parts, medical supplies, and machinery. Since 1940 the Government has been encouraging the establishment of industries by permitting the duty-free entry of machinery and raw materials for use in new enterprises.

Instrumentalities for development.

The Ministries of Finance, Agriculture, and Labor, utilizing the National Bank of Costa Rica, have been empowered by law No. 26 of November 1943 to protect and encourage national production. The law provides for the creation of a fund of 1,500,000 colones for the financing of projects. Provision is made for the construction by the Government of warehouses to be managed by the bank. The Inter-American Development Commission of Costa Rica is also assisting in the economic development of the country.

Program for economic development.

The plans by governmental departments working with private enterprisers envisages the construction of highways, hydroelectric power plants, and possibly a cement and glass factory. The Government is also encouraging the diversification of agricultural production.

It has been estimated that the possible development of new plant facilities in Costa Rica will require machinery and equipment from the United States valued at $14,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional 8,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	3.5	10.5	14.0
Replacement	3.0	5.0	8.0
Total	6.5	15.5	22.0

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Costa Rica: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	6.5	15.5	22.0
Power and communication	.4	0.9	1.3
Transportation	2.7	6.9	9.6
Building construction	1.6	3.9	5.5
Manufacturing	.4	.9	1.3
Agriculture	.4	.9	1.3
Mining and petroleum	.2	.4	.6
Lumbering, woodworking, and paper	.2	.4	.6
Fishing	.2	.4	.6
Scientific apparatus	.2	.4	.6
Consumer goods	.2	.4	.6

CUBA

Basic data.

The Republic of Cuba, with an area of 44,218 square miles, has an estimated population of 4,778,383. The average annual national income for the last 3 years was $551,000,000, or $115 per capita. The Cuban economy is based and dependent upon the production of sugar and tobacco. More than one-half of the gainfully employed are engaged in agriculture. Although manufacturing is of limited importance, a wide range of products for local consumption, including textiles, paints, shoes, cement, and small tools and implements, is produced. The mining of manganese, copper, and nickel has been important during the war. The production of sugar from cane is Cuba's leading food-processing industry; it employed 60,000 workers in 1939. The budget for 1943 was the largest in Cuban history, both revenues and expenditures increasing over the previous year. The revenue structure, however, is sound, and the public funded debt has been reduced by 10 percent in the last 3 years. Cuba ranks as one of the finest credits in Latin America. The foreign exchange and gold holdings at the end of 1943 amounted to approximately $23,000,000.

Instrumentalities for development.

The Republic has four agencies charged with the responsibility of planning for and implementing the economic development of the country; namely, the Cuban Development Commission, the Board of Economic Warfare, the National Commission for the Study of Post-war Problems, and the National Commission for the Study of post-war Social Security. Prominent among private agencies concerned with economic development is the Cuban Inter-American Development Commission.

Program for economic development.

The Cuban Government's primary objective is to evolve an agricultural and industrial economy which will assure the worker full employment the year around. The agricultural phase of this objective is to encourage the growth of as much food in as great a variety for domestic consumption as practicable. Machinery and seed are being distributed by the Government. Numerous irrigation projects and storage warehouses will be constructed as soon as materials and equipment can be obtained. The Government is planning to build more highways. Railroads and highway transport companies have been operating with inadequate equipment, and substantial construction awaits the arrival of new equipment and materials.

It has been estimated that the possible development of new plant facilities in Cuba will require machinery and equipment from the United States valued at $120,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $72,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	30	90	120
Replacement	24	48	72
Total	54	138	192

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Cuba: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	54	138	192
Power and communication	7.8	22.2	30.0
Transportation	5.0	13.2	18.2
Building construction	2.5	5.1	7.6
Manufacturing	23.3	60.1	83.4
Agriculture	2.5	5.3	7.8
Mining and petroleum	1.0	2.8	3.8
Lumbering, woodworking, and paper	4.1	12.0	16.1
Fishing	1.6	4.1	5.7
Scientific apparatus	.9	.4	1.3
Consumer goods	5.3	12.8	18.1

DOMINICAN REPUBLIC

Basic data.

The Dominican Republic occupies the eastern two-thirds of the island of Santo Domingo. Its area, including small adjacent islands, is 19,332 square miles. The estimated population to 1944 was 1,969,773. The average annual national income in 1940–43 was $9,000,000, or $51 per capita.

The economy of the country is almost entirely agricultural, 60 percent of the Nation's income being derived from this source. The principal crops are bananas, sugarcane, avocados, rice, cacao, and coffee. Industrial development has been small. The principal manufacturing plants are those associated with the processing of agricultural products, particularly sugarcane; cacao, coffee, tobacco, and yucca. Other industries are of the household type, engaged in the production of such consumer goods as shoes, leather goods, clothing, straw hats, cigarettes, cigars, matches, soap, chocolate, starch, beverages, pottery, and handicraft woodworking. The sugar industry accounts for more than four-fifths of all industrial capital investment, and for three-fourths of all industrial employment and wages.

In 1939 there were 3,180 miles of roads and highways and 762 miles of steam railways in the country.

Gold and foreign exchange holdings have risen from $6,000,000 in 1941 to $13,000,000 at the end of 1943. The 1943 national budget was balanced with a substantial surplus.

Instrumentalities for development.

The Republic has selected three governmental committees which are charged with the responsibility of increasing production, raising the level of consumption, and improving distribution. The Inter-American Development Commission of the Dominican Republic, representing private interests, is actively cooperating in this program.

Program for economic development.

The keynote of the Government's economic program is the broadening of the economic base, striving to reduce the dependence upon sugar by encouraging the growth of diversified crops. Agricultural experimental stations are being established, and the Government has undertaken a training program for specific industrial improvement. Increased transportation facilities have been recognized as one of the principal needs of the Republic, and plans are being made to correct this inadequacy.

It has been estimated that the possible development of new plant facilities in the Dominican Republic will require machinery and equipment from the United States valued at $30,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $20,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	7.5	22.5	30.0
Replacement	7.0	13.0	20.0
Total	14.5	35.5	50.0

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Dominican Republic: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In million of dollars]

Type	Used	New	Total
Total	14.5	35.5	50.0
Power and communication	.2	.8	1.0
Transportation	1.4	3.3	4.7
Building construction	.4	.8	1.2
Manufacturing	6.6	16.0	22.6
Agriculture	.2	.5	.7
Mining and petroleum	.2	.3	.5
Lumbering, woodworking, and paper	.4	.9	1.3
Fishing		.2	.2
Scientific apparatus	.2	.4	.6
Consumer goods	4.9	12.3	17.2

ECUADOR

Basic data.

Ecuador, with an area of 125,000 square miles, has a population of 3,200,000 and a per capita income of $34. The Republic is essentially agricultural; the three principal export crops are cacao, rice, and coffee. The mineral resources of the country include gold, petroleum, copper, lead, sulfur, and salt. Lacking coal and iron, no heavy industry has developed. Manufacturing is on a small scale and confined to the production of consumer goods, notably textiles. All machinery

and equipment utilized by local factories has been obtained from abroad. In 1940 there were 21 textile mills with a capital of 14,000,000 sucres and employing 3,500 workers. The potentials of hydroelectric power are large, but have not been utilized except in a very limited degree. The capital invested in enterprises other than land is largely foreign and is estimated to amount to about $32,000,000. One of the principal problems in the economic development of the country is the obtaining of more improved transportation facilities. In 1940 there were 693 miles of track; highways totaled 3,300 miles, but of these only 450 were hard-surfaced. Of 5,898 registered motorcars in Ecuador, 12 percent were not in operation because of shortages of repair parts and tires. There are 2 air lines operating in Ecuador, flying 9,000 miles weekly over 1,235 unduplicated route-miles. The output of textiles, hats, shoes, cement, flour, and other consumer goods has increased since the outbreak of war, but extensive industrial development has been impeded by the lack of needed machinery and supplies. The excess of exports over imports created gold and foreign exchange holdings of $19,000,000 as of December 31, 1943.

Instrumentalities for development.

In June 1942 the Ecuadoran Development Corporation was established, consisting of three representatives of the Government of Ecuador and three representatives who may be foreigners. The original capital of the corporation was $10,000,000, of which 50 percent consisted of a credit extended by the Export-Import Bank of Washington. In October 1943 an economic council was created, composed of 9 members: The Minister of Finance, a Senator, a Deputy, a representative of the Central Bank, a representative of the National Bank for Provincial Development, the Superintendent of Banks, an economist, a representative of agriculture, and a representative of industry. In December, the National Provincial Bank of Development, with an authorized capital of $100,000,000, was formed. The purpose of these institutions is to study and take action toward furthering the economic development of Ecuador, with direction and control centering in the Government.

Program for economic development.

Current projects include the construction of highways, the development of agriculture through experimental stations, the production of new and varied crops, the financing of hydroelectric projects, and the promotion of new industries. In these post-war plans active aid is being given by members of the Inter-American Development Commission of Ecuador who forecast enlarged demands for such United States products as tractors, bulldozers, graders, trucks, bridges, and hydroelectric installations.

It has been estimated that the possible development of new plant facilities in Ecuador will require machinery and equipment from the United States valued at $62,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional 42 million. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	15.5	46.5	62.0
Replacement	14.0	28.0	42.0
Total	29.5	74.5	104.0

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Ecuador: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	29.5	74.5	104.0
Power and communication	2.9	7.3	10.2
Transportation	3.8	8.0	11.8
Building construction	2.9	6.4	9.3
Manufacturing	1.9	3.2	5.1
Agriculture	5.7	14.4	20.1
Mining and petroleum	1.9	8.0	9.9
Lumbering, woodworking, and paper	1.9	4.8	6.7
Fishing	.9	1.6	2.5
Scientific apparatus	1.9	4.8	6.7
Consumer goods	5.7	16.0	21.7

EL SALVADOR

Basic data.

El Salvador, smallest Central American country, has an area of 13,176 square miles and a population of 1,880,000. Agriculture, chiefly coffee growing, is the predominant industry, and stock raising is an important activity. Minerals exist in small quantities but are undeveloped. Manufacturing is associated with the processing of agricultural products and with some production for the domestic market. Exports usually exceed imports. The national income for 1943 was estimated to be $103,000,000, or a per capita income of $55.

More than 836,000 tons of shipping passed through the seaports in 1940. Railway mileage totaled 285 in that year. More than one-half of the 3,690 miles of highways in 1941 were improved. Vehicle registration in 1943 included 2,700 passenger cars, 698 trucks, and 676 busses; 80 percent of each group were believed to be in service. In 1943 there were international, but not domestic, air-line services; 1 of the airports was of class III or larger, and 7 were class II or smaller.

Government revenues in 1943 exceeded expenditures by $1,100,000. United States investments in 1942 amounted to 18 million and those of the United Kingdom to $9,000,000. United States holdings of Salvadoran dollar bonds in 1940 were estimated to be 4.1 million, all in default. The country's public debt in 1943 totaled 51,300,000 million colones (1 colone=40 cents). Holdings of gold and foreign exchange in that year were estimated at $21,000,000.

Instrumentalities for development.

The Central Reserve Bank and the Mortgage Bank of El Salvador are the leading instrumentalities that may assist in financing imports of equipment.

Program for economic development.

Post-war development is a subject of careful consideration by two groups in El Salvador, the Comision de Fomento Interamericana and the Committee of Economic Coordination.

It has been estimated that the possible development of new plant facilities in El Salvador will require machinery and equipment from the United States valued at $28,000,000, and that the replacement of depreciated and obsolete equipment will like require an additional 20 million. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	7	21	28
Replacement	7	13	20
Total	14	34	48

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

El Salvador: Estimated values of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	14	34	48
Power and communication	1.0	2.4	3.4
Transportation	2.8	6.6	9.4
Building construction	1.0	2.4	3.4
Manufacturing	1.2	3.0	4.2
Agriculture	2.0	5.0	7.0
Mining and petroleum	.6	1.4	2.0
Lumbering, woodworking, and paper	.8	2.0	2.8
Fishing	.2	.5	.7
Scientific apparatus	.2	.5	.7
Consumer goods	4.2	10.2	14.4

GUATAMALA

Basic data.

Guatamala, with an area of 42,364 square miles, had a population in 1943 of 3,450,732, and a per capita income of $87. The economy of the country is agricultural, with 90 percent of the population engaged in this industry. Corn and beans are the staple products of the country and occupy about 70 percent of the cultivated area. Coffee and bananas are the two leading exports. Chicle and wild rubber are the major forest products and are also important exports.

Manufactures represent 80 percent of total imports; wheat products and petroleum constitute most of the remainder. The gold and foreign exchange holdings of the country on December 31, 1943, were estimated at $20,000,000. Foreign investments in Guatemala at the end of 1940 were estimated at $109,000,000, most of which were in banana and coffee plantations.

The country has a relatively small external debt.

In 1942 there were 3,882 miles of highways, of which 2,199 miles had improved surface. Railroads carried about 3,000,000 passengers during 1943 over 637 miles of track. As of December 31, 1943, 4,296 passenger cars, trucks, and busses were registered and in operation.

Stocks of imported merchandise are very low, particularly those of durable consumer goods which have been virtually unobtainable.

Instrumentalities for development.

The Inter-American Development Commission is cooperating with the Government on post-war economic planning.

Program for economic development.

The Government of Guatamala has instituted measures to increase the efficiency and productivity of labor by introducing courses in mechanics and allied subjects in the secondary schools. It has also subscribed to the inter-American technological in-training program for instruction in more efficient methods of production. The Government is encouraging the diversification of agriculture. The extension of credit is one of the principal means of assistance. Free cotton seed has been distributed by textile mills to foster the planting of this commodity. Efforts are also being made to increase and expand the cultivation of medicinal plants. In addition, plans have been advanced for the installation of tire recapping facilities.

It has been estimated that the possible development of new plant facilities in Guatemala will require machinery and equipment from the United States valued at $52,000,000, and that the replacement of depreciated and obsolete equipment will likely require an adidtional $35,000,000. A segregation of these two categories into used and new equipment shown below.

[In millions of dollars]

	Used	New	Total
New development	13	39	52
Replacement	12	23	35
Total	25	62	87

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Guatemala: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	25.0	62.0	87.0
Power and communication	1.0	2.6	3.6
Transportation	3.2	8.2	11.4
Building construction	1.5	3.8	5.3
Manufacturing	10.6	26.0	36.6
Agriculture	1.7	4.0	5.7
Mining and petroleum	.2	.7	.9
Lumbering, woodworking, and paper	.4	.8	1.2
Fishing	.4	.7	1.1
Scientific apparatus	.2	.7	.9
Consumer goods	5.8	14.5	20.3

HAITI

Basic data.

The Republic of Haiti, with an area of 10,700 square miles, occupies the western two-thirds of the island of Santo Domingo; it has a population of 2,719,474, of which 95 percent are Negroes. The national income amounts to about $60,000,000, or $22 per capita.

The economy of the country is agricultural, the principal crops being coffee, cotton, sisal, cacao, and sugar. The mineral resources are believed to be extensive, but there is no important mining production. Haiti's manufacturing industry is small. A modern sugar mill in Port-au-Prince is processing about 40,000 metric tons annually, and the only other manufacturing plants are small in size. They produce shoes, soap, tobacco products, beverages, straw and fiber articles, and clothing. Highway facilities are fairly adequate; in 1942 there were 1,830 miles passable for motor vehicles. The railroads of Haiti do not play an important role, their total trackage amounting to 184 miles. The rivers are not suitable for commercial navigation.

The current budget of the Republic is balanced, with revenues in excess of expenditures. Gold and foreign exchange holdings for the Banque Nationale amounted to $6,400,000 in January 1944.

Instrumentalities for development.

The most important development organization is the Societe Haitiano-Americane de Developpement Agricole, commonly called SHADA. The corporation was organized in August 1941 with all of the stock owned by the Haitian Government. The Export-Import Bank has assisted SHADA by means of a substantial line of credit and the United States Government has contributed the services of technicians.

Program for economic development.

The Haitian Government favors the establishment or expansion of secondary industries based on the process of locally produced articles. The President has repeatedly stated that no large-scale industrial program is justified but that small industries should be expanded. SHADA has as its objective "the development and exploitation of all agricultural and other resources of and within the Republic." Experimentation has been undertaken to improve existing crops and cultivate new ones. Methods for processing agricultural crops and handi-

crafts related to agriculture are to be promoted. The inter-American Development Commission recently completed an industrial survey of the country, and the Office of the Coordinator, an agricultural survey.

It has been estimated that the possible development of new plant facilities in Haiti will require machinery and equipment from the United States valued at $27,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $18,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	7	20	27
Replacement	6	12	18
Total	13	32	45

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Haiti: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	13.0	32.0	45.0
Power and communication	.2	.5	.7
Transportation	.6	1.1	1.7
Building construction	.7	1.6	2.3
Manufacturing	2.9	6.7	9.6
Agriculture	.5	1.3	1.8
Mining and petroleum	.2	.6	.8
Lumbering, woodworking, and paper	.5	1.6	2.1
Fishing	.2	.3	.5
Scientific apparatus		.3	.3
Consumer goods	7.2	18.0	25.2

HONDURAS

Basic data.

The Republic of Honduras, with an area of 59,161 square miles, had a population in 1943 of 1,172,200, and a per capita income of $57. Predominantly agricultural, the country exports principally bananas and coffee, but small quantities of leaf tobacco, citrus fruits, and other products also are shipped abroad. For a number of years bananas have regularly accounted for three-fifths to four-fifths of total exports.

Mining, except for gold and silver, has not been extensive. Precious metals also constitute important export commodities; in 1938 gold and silver together accounted for more than one-fourth of the value of all exports.

There is very little manufacturing in Honduras, and that which does exist is devoted to the production of light consumer goods. Cigars and matches are the only significant manufactured products exported, almost all of which customarily go to neighboring Central American countries.

Of the 780 miles of highway in 1942, 450 had an improved surface. As of December 31, 1941, 1,342 passenger cars, trucks, and busses were registered in the country.

Instrumentalities for development.

There has been no clear-cut policy in Honduras encouraging the establishment of new industries or the expansion of existing facilities. Agricultural banks and the Inter-American Development Commission of Honduras are seeking to promote the economic development of the country.

Program for economic development.

The Honduran Government is fostering the expansion and diversification of agriculture. A new agricultural college, Escuela Agricola Panamericana, is under construction, and will contribute to the dissemination of up-to-date technical agricultural information. On March 4, 1943, the Government of Honduras and the Institute of Inter-American Affairs signed an agreement to stimulate the production of food in a section of the Comayagua Valley. Long-term credit is being granted by the Bank of Honduras to settlers for the purchase of land, seed, horses, cattle, fowls, building materials, and farm implements. A public works program, covering road construction and irrigation projects, is also under way. The Institute of Inter-American Affairs has established a model farm project in Comayagua, and the United Fruit Co. has opened an agricultural school at Zamorano, near Tegucigalpa.

It has been estimated that the possible development of new plant facilities in Honduras will require machinery and equipment from the United States valued at $12,000,000 and that the replacement of depreciated and obsolete equipment will likely require an additional eight million. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	3	9	12
Replacement	3	5	8
Total	6	14	20

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Honduras: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	6.0	14.0	20.0
Power and communication	.2	.3	.5
Transportation	.2	.6	.8
Building construction	.4	.8	1.2
Manufacturing	1.8	3.8	5.6
Agriculture	.2	.3	.5
Mining and petroleum		.1	.1
Lumbering, woodworking, and paper		.1	.1
Fishing		.1	.1
Consumer goods	3.2	7.9	11.1

MEXICO

Basic data.

Mexico, containing 758,258 square miles, much of which is occupied by a high plateau, is one of the world's most important mineral-producing areas. Silver, lead, and petroleum are the leading minerals; others of importance are iron, zinc, copper, mercury, tin, antimony, tungsten, manganese, bismuth, and cadmium. Approximately $175,000,000 are invested in this industry, which in 1939 employed about 80,000 people. The value of minerals produced in 1939 was $375,000,000, largely by United States enterprises. The petroleum industry was nationalized in 1938.

Agriculture, the chief industry in Mexico, employed more than 4,000,000 persons in 1939, and produced crops valued at about $125,000,000. Only one-fourth of the arable land is in cultivation. To increase production a substantial capital investment in irrigation facilities will be required. Corn is the principal crop, with beans second in importance; other crops are wheat, rice, chickpeas, sugarcane, fruits, and vegetables. Crops produced mainly for export are henequen, bananas, cotton, coffee, and winter vegetables. Stock raising is an important

occupation in many areas; there are about 165,000,000 acres of grazing land. Forest products include chicle, wild rubber, copra, and woods.

In 1939, Mexico had about 12,000 manufacturing plants with an individual output of at least $2,500, representing an investment of approximately $200,000,000. The value of industrial output increased from $180,000,000 in 1939 to $249,000,000 in 1942. The number of workers employed in manufacturing in 1939 was 240,000. Mexico lacks cheap coal and is endeavoring to expand its production of hydroelectric power. Although there is some heavy industry, manufacturing is largely concentrated in the production of consumer goods. The food industry ranks first in value of production, and textiles second.

Mexico has the second largest population in Latin America (21,153,321 in 1943), more than one-half of which are Mestizos. About 55 percent of the population are literate. The national income in 1943 was estimated at $1,649,000,000, or approximately $78 per capita. Gold and foreign exchange in the country totaled $250,000,000 at the end of 1943. As a rule, Mexico has an export balance of trade. In that year exports were valued at about $225,000,000, and imports at about $182,000,000. The United States took 89 percent of all exports in the first 10 months of 1943 and supplied 87.5 percent of the imports.

Transportation facilities, although far below United States standards, have been well developed. Of 12,364 miles of highways in 1942, one-half were all-weather roads. Passenger-car, truck, and bus registrations totaled 178,033 at the end of 1943. In 1942 railway mileage was 12,366. Twelve air lines in 1943 operated 23 multiengine planes and 83 single-engine planes over 18,428 route-miles. There were 18 airports of class III or larger, and 230 of class II or smaller. Mexico's merchant marine in 1939 consisted of 30 vessels with a total of 38,000 tons. In 1940 the ports cleared 12,223 ships carrying 43,000 passengers.

Government expenditures in recent years have exceeded revenues by three to fourteen million dollars annually. Deficits have been financed principally by borrowing from the Bank of Mexico. In 1943 revenues amounted to $186,000,000. The budget for 1944 allows for an expenditure of about $220,000,000. Direct foreign investments in Mexico in 1941 were estimated at approximately $620,000,000. In addition, about 240,000,000 pesos (par value) of Mexican Government bonds and about 292,000,000 pesos (par value) of National Railways bonds were held by nationals of other countries.

Foreign investments are principally in mining, public utilities, and manufacturing. United States direct investments in Mexico in 1940 were estimated at $360,000,000, or more than one-half of all foreign investments in that country. British investments in 1941 were estimated at $125,000,000.

As of June 30, 1943, the Export-Import Bank of Washington had dispersed about $11,000,000 to Mexico, of which more than $2,000,000 has been repaid. This includes credits extended to United States exporters of railway equipment and other capital goods.

Mexican industry has been expanding rapidly and indications are that this rapid development will continue.

Instrumentalities for development.

On June 30, 1944, the President of Mexico, by decree, created the Federal Commission for Industrial Promotion, to plan, finance, organize, and establish such projects as are deemed indispensable to the industrialization of the country, or which have not been developed by private capital, or that are in financial difficulties. The Federal Government is prepared to finance the projects undertaken by the Commission. The main financial institutions are the Nacional Financeria with a capital of 20,000,000 pesos, the National Bank of Cooperative Development capitalized at 10,000,000 pesos, and the Banco Nacional de Mexico with a capital of 16,000,000 pesos. The Inter-American Development Commission of Mexico is also assisting in the economic development of the country.

The program for economic development.

The Federal Commission for Industrial Promotion, assigned the duty of coordinating the development of industry in Mexico, has not had time to announce any specific plans. Two other commissions, however, now are engaged in developing industry: The United States Railroad Mission, and the Mexican-American Commission for Economic Cooperation. The Railroad Commission has as its chief function the rehabilitation of the major portion of the Mexican railroad system in order to put the lines on an efficient operating basis and to speed up the delivery of strategic materials to the United States. The Commission for Economic Cooperation is endeavoring to provide technical aid, coordinate the

activities of the different agencies of the two Governments, and make recommendations for the development of programs and industrial practices for the expansion of Mexican industry.

It has been estimated that the possible development of new plant facilities in Mexico will require machinery and equipment from the United States valued at $635,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $351,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	159	476	635
Replacement	117	234	351
Total	276	710	986

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Mexico: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	276.0	710.0	986.2
Power and communication	30.2	77.8	108.0
Transportation	144.1	369.7	513.8
Building construction	21.1	54.3	75.4
Manufacturing	29.5	75.8	105.3
Agriculture	24.8	63.6	88.4
Mining and petroleum	4.6	12.3	16.9
Lumbering, woodworking, and paper	8.9	23.0	31.9
Fishing	7.1	18.3	25.4
Scientific apparatus	1.9	5.3	7.2
Consumer goods	3.8	10.0	13.8

NICARAGUA

Basic data.

Nicaragua, largest Central American country, has an area of 57,143 square miles and a population of 1,030,700. Agriculture is the predominant activity, and stock raising is important. There are extensive but undeveloped deposits of minerals. Manufacturing is limited to the processing of agricultural commodities and the production of some of the simpler consumer goods. Exports customarily exceed imports. The national income for 1943 was estimated to be $62,000,000, or a per capita income of $60.

Approximately 474,000 tons of shipping passed through the seaports in 1941. Railway mileage totaled 236 in 1943. In 1939 there were 3,051 miles of unimproved roads, and 100 miles of all-weather highways. Vehicle registrations in 1943 included 1,172 passenger cars and 312 trucks and busses; in that year international airline services had the use of 1 airport of class III or larger and 10 of class II or smaller.

United States investments at the end of 1940 amounted to about $9,000,000, and those of the United Kingdom to about 1.7 million dollars. Nicaragua's external debt (in sterling) amounted to about $4,000,000 in 1943; the internal debt is less than 10 percent of the total debt. Holdings of foreign exchange were estimated to be about 7.4 million dollars in 1943.

Program for economic development.

The Nicaraguan Board of Control Prices and Trade has given some consideration to possible post-war developments in the country.

It has been estimated that the possible development of new plant facilities in Nicaragua will require machinery and equipment from the United States

valued at $16,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $11,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	4	12	16
Replacement	4	7	11
Total	8	19	27

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Nicaragua: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	8.0	19.0	27.0
Power and communications	.8	1.8	2.6
Transportation	1.0	2.4	3.4
Building construction	.6	1.5	2.1
Manufacturing	1.0	2.4	3.4
Agriculture	.8	1.8	2.6
Mining and petroleum	1.0	2.4	3.4
Lumbering, woodworking, and paper	.6	1.5	2.1
Fishing	.2	.5	.7
Scientific apparatus	.2	.5	.7
Consumer goods	1.8	4.2	6.0

PANAMA

Basic data.

The Republic of Panama, with an area of 28,575 square miles, has a population of 631,640 and a per capita income of $71. Apart from the substantial economic activities associated with the transit of passengers and commodities through the Canal, Panama is essentially an agricultural country. The principal agricultural products are bananas, cacao beans, and coconuts. Cattle raising is important; forest resources are extensive; and manufacturing is confined to the production of consumer goods. The total amount of foreign capital in Panama is estimated at $55,000,000 and is invested principally in agriculture. There are 126 manufacturing plants, employing about 8,000 people with an aggregate net capital of $16,000,000. The 4 electric-power companies in the Republic have a capital investment of $15,000,000 and employ 640 workers. Highways constitute the principal means by which goods are transported from the interior to the consuming centers and to ports. In 1942 there were 930 miles of highways, of which 220 were hard-surfaced; more are needed and construction is contemplated. The railroads in Panama operate more than 530 miles of track, of which 135 are in the Canal Zone. The financial position of the Government of Panama is excellent, both external and internal debts being liquidated.

There are 18,732 registered motor vehicles in the Republic, of which 1,585 are trucks, and 1,056 busses. The rationing of gasoline and tires has curtailed services and it is estimated that one-half of the busses are periodically out of commission. Many durable consumer goods have been virtually unobtainable and periodic food shortages have occurred. Three problems are foremost in the economic life of Panama, namely, the restoration of the banana industry to the pre-war level, the diversification and improvement of agriculture, and the absorption of labor formerly employed in the Canal Zone on military projects.

Instrumentalities for development.

A Board of Study of National Problems was created in Panama by Presidential decree in October 1943. This Board is considering national problems and is expected to formulate specific plans for action. In the opinion of the Government, the state should be prepared to initiate, according to plan, an extensive program of economic development. Plans for agricultural diversification and expansion are being drawn by the Minister of Agriculture and Commerce. The Inter-American Development Commission of Panama is also assisting in the economic development of the country.

Program for economic development.

The program for post-war development is in the process of formulation. The production of agricultural, pastoral, and forest products, and trade with the Canal Zone afford the basis for a prosperous economy. Industrial prospects are limited. Manufacturing will continue to consist of the production of beverages, the processing of foods, and the production of consumer goods, with some expansion based on domestic raw materials. The further development of fisheries appears to afford possibilities, and plans are being made to attract the population to rural areas. The diversification of crops will be encouraged. Duties on many types of equipment have been suspended.

It has been estimated that the possible development of new plant facilities in Panama will require machinery and equipment from the United States valued at $10,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $7,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	2.5	7.5	10.0
Replacement	2.0	5.0	7.0
Total	4.5	12.5	17.0

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Panama: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	4.5	12.5	17.0
Power and communication	.2	1.7	1.9
Transportation	1.5	2.6	4.1
Building construction	.2	.8	1.0
Manufacturing	.7	.8	1.5
Agriculture	.9	2.5	3.4
Mining and petroleum			
Lumbering, woodworking, and paper	.4	.8	1.2
Fishing	.4	.8	1.2
Scientific apparatus	.1	.8	.9
Consumer goods	.1	2.7	1.8

PARAGUAY

Basic data.

Paraguay, one of the two inland countries of South America, has an area of 149,806 square miles and a population of 1,040,420. Agriculture is the predominant industry, followed by forest products, and cattle raising. Manufacturing is confined largely to the simple transformation of local raw materials. No mining operations of significance are carried on; there are large deposits of iron ore, but coal beds do not exist. In the period 1935–38 the value of imports exceeded that of exports. The national income for 1943 was estimated to be $20,000,000, or a per capita income of $20.

More than 410,000 tons of shipping passed through the river ports in 1938. In that year railways operated 713 miles of track. About 10 percent of the 4,122 miles of roads in 1943 were paved, and vehicle registrations included 922 pas-

senger cars, 626 trucks, and 313 busses. The 4 foreign-owned air lines flew 2,220 scheduled miles per week over 1,110 unduplicated route miles in 1943, and there were 2 airports of class III or larger and 11 of class II or smaller.

Government expenditures exceeded revenues in 1942 by almost $2,000,000 United States investments in Paraguay in 1940 totaled about $5,000,000 British investments about $10,000,000, and Argentine investments about $60,000,000. Paraguay's external debt, chiefly in sterling, is about $6,000,000. Foreign exchange holdings of the Bank of Paraguay in 1943 were $2,000,000, in addition to approximately 2.5 million dollars in Argentina, and 1.5 million in Brazilian currencies.

Instrumentalities for development.

The Bank of the Republic of Paraguay is engaged in economic development activities, and the Agricultural Bank is actively assisting farmers to finance the purchase of tools and equipment.

Program for economic development.

The Ministry of Industry and Commerce is promoting the economic development of the country, as are El Servicio Tecnico Interamericano de Cooperacion Agricola, and the Inter-American Development Commission of Paraguay.

It has been estimated that the possible development of new plant facilities in Paraguay will require machinery and equipment from the United States valued at $21,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $14,000,000. A segregation of these two categories into used and new equipment is shown below:

[In millions of dollars]

	Used	New	Total
New development	5	16	21
Replacement	5	9	14
Total	10	25	35

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Paraguay: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	10.0	25.0	35.0
Power and communication	.6	1.5	2.1
Transportation	3.6	8.8	12.4
Building construction	.6	1.5	2.1
Manufacturing	1.0	2.5	3.5
Agriculture	1.2	3.0	4.2
Mining and petroleum	.2	.5	.7
Lumbering, woodworking, and paper	.4	1.1	1.5
Fishing			
Scientific apparatus	.2	.5	.7
Consumer goods	2.2	5.6	7.8

PERU

Basic data.

The economy of Peru is principally agricultural. About 75 percent of the gainfully employed population is engaged in agriculture. Mining and manufacturing contribute substantially to the national income, but together employ less than 5 percent of the total number of workers.

Coastal irrigated agriculture is commercialized, with large-scale operations on cotton and sugar plantations. Rice and flax are other important crops grown in the coastal area. In the highlands, agriculture is devoted to crops for domestic consumption, and is largely on a subsistence basis. The principal crops are wheat, corn, barley, oats, and potatoes.

According to the 1941 livestock census, there were about 14,000,000 sheep and 2.3 million cattle in Peru. Most of the local demand for meat is met by domestic sources. Wool is an important export commodity. Rubber, cinchona, lumber, and barbasso are the principal forest products.

Petroleum and rubber are the chief mineral products of Peru. Others are vanadium, gold, silver, lead, zinc, and coal. The mineral industry ranks second to agriculture in importance, and accounts for approximately two-thirds of the value of total exports. Manufacturing in Peru is confined, with a few exceptions, to the production of consumer goods, the most important of which are cotton and woolen textiles, leather goods, cement, chemicals, tobacco, glass, paper, and foodstuffs.

The population of Peru was estimated at about 7.4 million in 1943, and the country ranks fifth in Latin America in this respect. The estimated national income in 1943 was about $459,000,000, or approximately $62 per capita.

On January 1, 1944, about 18,000 passenger cars, 11,100 trucks, and 15,000 busses were registered in Peru. About 28,000 of these were in operation. In December 1942 more than 80 percent of the 18,640 miles of roads had improved surfaces. More than 2,345 miles of railway carried 3.3 million passengers in 1940. In March 1943 Peru was served by 1 international and 2 local air lines. It is reported that 26 steamers and motorships, with a total tonnage of 31,376, were registered in 1938.

The annual expenditures of the Peruvian Government amount to about 40 to 45 million dollars. Deficits are common and are financed by borrowing. The principal disbursements are usually for national defense (about 30 percent), health and education (20 percent), and internal-debt service (10 percent). The external debt of more than $90,000,000 is in default regarding both interest and principal. More than 40 percent of the revenues are furnished by indirect taxes (including import and export duties), and less than 20 percent by direct taxes (including income taxes). A considerable part of the revenue is derived from State monopolies of such products as tobacco, salt, matches, and guano.

Manufacturing has developed considerably since 1929 and consumer goods of many kinds now supply a large part of the domestic market. Further industrial progress is eagerly sought in Peru by the Government, and by the business and financial community centering in Lima. It is likely, however, that the limited population of the country and the lack of technical skill, together with discriminating legislation against foreign-owned enterprise, will hold back rapid or extensive development in the post-war period. A proposed steel plant for which construction contracts have already been awarded is expected to have a potential annual capacity of 140,000 tons of steel ingots and 110,000 tons of pig iron.

Instrumentalities for development.

One of the most important agricultural developments in Peru in 1943 was the organization of the Inter-American Cooperative Food Production Service (S. C. I. P. A), created by special agreement between Peru and the Institute of Inter-American Affairs. The purpose of S. C. I. P. A. is to develop programs to increase the production of foodstuffs. The Peruvian Commission of Inter-American Development functions as a nongovernmental body to encourage domestic industrial development. The Government provides encouragement and assistance to domestic industries through the Banco Industrial. This bank was founded in 1936 to facilitate the financing of local industries. The Banco Minero was established in 1940 by the Government, primarily to finance small mines within Peru. The Banco Agricola was founded in 1941 as a Government institution to extend loans to the producers of agricultural goods.

It has been estimated that the possible development of new plant facilities in Peru will require machinery and equipment from the United States valued at $185,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $111,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	46.5	138.5	185
Replacement	37.0	74.0	111
Total	83.5	212.5	296

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Peru: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	83.5	212.5	296.0
Power and communication	6.8	17.3	24.1
Transportation	19.3	49.3	68.6
Building construction	5.0	12.6	17.6
Manufacturing	16.3	41.2	57.5
Agriculture	13.5	34.5	48.0
Mining and petroleum	10.8	27.6	38.4
Lumbering, woodworking, and paper	2.7	6.9	9.6
Fishing	2.3	5.8	8.1
Scientific apparatus	.9	2.4	3.3
Consumer goods	5.9	14.9	20.8

URUGUAY

Basic data.

Uruguay, smallest country in South America, contains about 72,170 square miles of rolling plains and low, wooded ranges. Stock raising is the most important industry; sheep and cattle are raised in large numbers. The principal agricultural crops are wheat, corn, flaxseed, oats, and barley; as a result of Government stimulation of agriculture, the country now is self-sufficient in breadstuffs. Uruguay early encouraged manufacturing, but industry is dependent on imports of fuels and some raw materials. State-owned industries have shown considerable development. Leading industrial products are textiles, electrical machinery and equipment, tires and tubes, furniture, enamelware, and glass and glassware. Mining is of little importance, although there are deposits of a number of mineral ores; some hydroelectric developments are under construction.

Ninety percent of the population of 2,185,626 is of European descent. Spanish is the official language, and about 65 percent of the population is literate. Uruguay ranks seventh in foreign trade among Latin American countries; exports ordinarily exceed imports. The national income for 1943 was estimated to be $252,000,000, or a per capita income of $115.

Port entries numbered 11,888 ships in 1939. In that year railways operated 2,534 miles of track. In 1943 there were 8,514 miles of highways. Vehicle registrations at the end of 1943 included 47,410 passenger cars, of which 90 percent were in service; 16,000 trucks, with 97 percent operating; and 1,711 busses, with 96 percent in operation. Air-line service in that year was provided by 3 international lines and 1 local company; the local service operated 7 multi-engine aircraft over 156 route-miles of airways, and there were 4 airports of class III or larger and 14 of class II or smaller.

Government expenditures in 1943 are believed to have exceeded revenues by $9,000,000. British investments amounted to about $170,000,000 at the end of 1940, and United States direct investments to 11 million. United States holdings of Uruguayan dollar bonds were estimated at about $35,000,000 par value at the end of 1940; interest is being paid regularly. Gold and foreign exchange holdings totaled $146,000,000 at the close of 1943; exchange control has been maintained since 1931.

Manufacturing, although well developed, is carried on in small factories. The 1937 industrial census showed a total of 11,493 manufacturing establishments employing 88,267 persons, or about 8 employees per establishment. The construction industry employs a significant proportion of the industrial population. In the absence of large coal deposits, heavy industry has not undergone much development.

Program for economic development.

The chief agency that will be engaged in planning the post-war development of Uruguay's industry and trade is the Commission for the Study of Post-war Economic, Financial, and Social Problems, which was established by decree on January 13, 1944. The Inter-American Development Commission of Uruguay is also assisting in the economic development of the country.

It has been estimated that the possible development of new plant facilities in Uruguay will require machinery and equipment from the United States valued at $66,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional 40 million. A segregation of these two categories into used and new equipment is shown below:

[In millions of dollars]

	Used	New	Total
New development	16.5	49.5	66
Replacement	13.0	27.0	40
Total	29.5	76.5	106

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Uruguay: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	29.5	76.5	106.0
Power and communication	3.6	9.4	13.0
Transportation	6.6	17.5	24.1
Building construction	3.6	9.2	12.8
Manufacturing	5.4	14.0	19.4
Agriculture	6.0	15.7	21.7
Mining and petroleum	1.6	4.2	5.8
Lumbering, woodworking, and paper	.3	1.0	1.3
Fishing	.2	.5	.7
Scientific apparatus	.2	.5	.7
Consumer goods	2.0	4.5	6.5

VENEZUELA

Basic data.

Venezuela, with an area of 352,143 square miles, has a population of 3,996,000. The annual national income during the last 3 years average $799,000,000, or $200 per capita, the highest in Latin America. Although two-thirds of the population are engaged in agriculture, petroleum is the most important industry; it has accounted for 90 percent of all Venezuelan exports in recent years. These exports have been seriously curtailed since hostilities began, because of a shortage of shipping, but a rapid recovery is being made. Most of the petroleum is exported as crude oil, and practically the entire production is controlled by foreign concessions. Other minerals include diamonds (30-percent industrial diamonds of strategic importance), gold, silver, magnesite, coal, iron ore, tin, asphalt, and asbestos. Before the war 40 percent of Venezuela's food requirements were imported; since the war began these imports have been restricted to wheat, rice, and dairy products. The Government program to increase domestic production has been quite successful. Cotton growing has been encouraged through price control and import licenses; the 1943–44 crop is estimated at 8.8 to 10 million pounds. The two principal export crops are coffee and cacao; others include corn, sugar, beans, potatoes, and fruits.

Manufacturing is not highly developed. In 1940, the 22,640 establishments employed 47,863 workers, and had an invested capital of 101.7 million dollars. The petroleum industry employs 21,000 additional workers. Textiles constitute the most important single industry in Venezuela, representing an investment of 7.7 million dollars and employing more than 5,000 persons. Other manufactures are largely confined to light consumer goods such as soap, cigars, cigarettes, candles, cheese, and vegetable oils. The war has greatly stimulated a number of industries, particularly textiles. The Government is encouraging industrial development by imposing high import duties on all foreign articles that compete with domestic goods.

On December 31, 1943, the gold and foreign exchange holdings of the Central Bank amounted to 101 million dollars; savings and deposits on the same date amounted to 102.1 million.

Instrumentalities for development.

The Ministro de Fomento (Ministry of Promotion and Development) is charged with the development of agriculture and industry in Venezuela. El Banco Central Venezuela is the main financial institution and is the source of most of the funds for economic development. The Fomento budget for 1944 is aproximately $3,840,000. The Inter-American Development Commission of Venezuela is also assisting in the economic development of the country.

Program for economic development.

The Government's plans for economic development include projects to improve dock facilities, to construct at least two petroleum refineries, and to enlarge the waterworks for the city of Caracas. An effort is also being made to diversify agriculture, introduce modern methods and techniques, and increase and develop the processing of agricultural products.

It has been estimated that the possible development of new plant facilities in Venezuela will require machinery and equipment from the United States valued at $100,000,000, and that the replacement of depreciated and obsolete equipment will likely require an additional $60,000,000. A segregation of these two categories into used and new equipment is shown below.

[In millions of dollars]

	Used	New	Total
New development	25	75	100
Replacement	20	40	60
Total	45	115	160

The total estimated value of equipment likely to be required from the United States is shown by types in the following table:

Venezuela: Estimated value of equipment and material from the United States in the first 10-year post-war period

[In millions of dollars]

Type	Used	New	Total
Total	45.0	115.0	160.0
Power and communication	4.7	12.1	16.8
Transportation	7.5	19.9	27.4
Building construction	4.0	10.3	14.3
Manufacturing	17.5	44.5	62.0
Agriculture	.7	1.7	2.4
Mining and petroleum	6.1	15.7	21.8
Lumbering, woodworking, and paper	1.0	2.4	3.4
Fishing	.2	.3	.5
Scientific apparatus	.2	.3	.5
Consumer goods	3.1	7.8	10.9

APPENDIX

ASSUMPTIONS REGARDING ESTIMATES ON INDUSTRIAL DEVELOPMENT IN THE OTHER AMERICAN REPUBLICS IN THE FIRST 10-YEAR POST-WAR PERIOD

In the post-war period the other American republics will require capital equipment for the development of new plant capacity and the replacement of depreciated and obsolete machinery. Estimates regarding the value of this equipment and the assumptions on which such estimates are based are the subject of this appendix.

Development of new plant capacity.

1. Based on a recent memorandum by Dr. Ellsworth, of the Department of State, it is assumed that Chile could absorb an annual foreign investment of $5 per capita in the first 10 years after the war. It is further assumed that such an amount would represent 50 percent of the total equipment required for industrial projects, the remainder being suppled locally in the form of land, buildings, construction work, and minor equipment. It appears logical that the ability of Chile to absorb United States equipment is probably greater on a per-capital basis than that of any other American republic.

2. It has been estimated, based on experience with SHADA, that in a 10-year period a total of approximately $45,000,000 could be invested in Haiti. Of this sum about 40 percent would probably be provided by domestic sources in the form of land, labor, and equipment; the remainder would be supplied by the United States in the form of equipment. Based on the population of Haiti, this would amount to an annual investment from the United States of approximately $1 per capita.

3. With the annual rate of investment for Haiti adopted as a minimum and that for Chile as a maximum, arbitrary assumptions have been made concerning possible annual rates of investment in the other American republics. These assumptions are based on a number of known factors, including the population of the country, the character and composition of the population, the labor supply including skilled labor, the state of industrial and social development, and the natural resources of each country.

4. It is assumed that 50 percent of the total equipment would be provided locally by those countries in which industrial development is most advanced; these countries are Argentina, Brazil, Chile, and Mexico. This assumption is substantiated by the amount of equipment required from the United States in implementing the minimum program in Mexica for 1944; the total cost of that program has been estimated at $23,940,000 and the value of equipment from the United States, $12,558,000, or 52.5 percent of the total. In all other countries it has been assumed that 40 percent of the total equipment would be supplied from domestic sources.

Based on these assumptions, tentative conclusions have been reached concerning the value of the equipment which the United States might expect to provide for the economic development of the other American republics in the first 10 years following the cessation of hostilities. These testative conclusions are set forth in table 1.

TABLE 1.—*New development: Estimated value of United States equipment to be used in the other American republics in the first 10-year post-war period*

Country	Population	Annual rate of investment per person	Total annual investment	Total investment for 10 years
	Thousands		*Thousands*	*Thousands*
Argentina	13,907	$3.00	$41,721	$417,210
Bolivia	3,534	2.00	7,068	70,680
Brazil	43,550	3.00	130,650	1,306,500
Chile	5,327	5.00	26,635	266,350
Colombia	9,621	2.50	24,052	240,520
Ecuador	3,106	2.00	6,212	62,120
Paraguay	1,040	2.00	2,080	20,800
Peru	7,396	2.50	18,490	184,900
Uruguay	2,186	3.00	6,558	65,580
Venezuela	3,996	2.50	9,990	99,900
Costa Rica	705	2.00	1,410	14,100
Cuba	4,779	2.50	11,947	119,470
Dominican Republic	1,970	1.50	2,955	29,550
El Salvador	1,880	1.50	2,820	28,200
Guatemala	3,451	1.50	5,176	51,760
Haiti	2,719	1.00	2,719	27,190
Honduras	1,172	1.00	1,172	11,720
Mexico	21,153	3.00	63,459	634,590
Nicaragua	1,031	1.50	1,546	15,460
Panama	632	1.50	948	9,430
Total	133,154	----------	367,608	3,676,080

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5. It is suggested that the annual value of equipment supplied by the United States might increase progressively from $250,000,000 in the first and second years to a maximum of $500,000,000 in the seventh and eighth years, and might then decline to $280,000,000 in the tenth year. The reasons for this suggestion are (*a*) a short period will probably be required to initiate the program even though it is completely formulated when the war is ended; (*b*) immediately after the war there will be heavy demands on the production equipment of the United States for both capital goods and durable consumer goods, and there will be the delay necessitated by conversion from wartime to peacetime operations; (*c*) the ability of the receiving country to absorb investments will increase as productive investments are made; and (*d*) the rate of industrialization will probably decline somewhat after the most urgent requirements have been met.

6. Of the total value of equipment to be obtained from the United States in the 10-year period, it is estimated that 25 percent will be used equipment and 75 percent new equipment. This estimate is based on the Mexican experience in its minimum program for 1944. The total equipment required from the United States for the implementation of this program was $12,558,000; of this amount, $2,863,000, or 23 percent, was used equipment. Because large quantities of used equipment will be available immediately after the war, and because the amount of new equipment will be limited, it is believed that the proportion of used equipment to the total will be much higher in the first years of the post-war period than in subsequent years. It has therefore been assumed that 60 percent of the equipment to be obtained in the United States will be used equipment in the first post-war year. It is suggested that the proportion will decline progressively, reaching a minimum of 15 percent in each of the last 4 years of the 10-year period. The total estimated requirements for the development of new plant capacity in the other American republics in the first 10 post-war years, and United States participation in terms of used and new equipment, are given in table 2. Estimates, by years, of the value of all equipment likely to be required from the United States and of the value of used equipment from that source are shown in table 3.

TABLE 2.—*New development: Estimated value of equipment required in the other American republics in the first 10 post-war years, showing United States participation in terms of used and new equipment*

[In millions of United States dollars]

Country	United States equipment			Latin-American equipment	Total
	Used	New	Total		
Argentina	104.0	313.0	417	417	834
Bolivia	18.0	53.0	71	48	119
Brazil	327.0	980.0	1,307	1,307	2,614
Chile	66.0	200.0	266	266	532
Colombia	60.0	181.0	241	161	402
Ecuador	15.5	46.5	62	42	104
Paraguay	5.0	16.0	21	14	35
Peru	46.5	138.5	185	124	309
Uruguay	16.5	49.5	66	44	110
Venezuela	25.0	75.0	100	67	167
Costa Rica	3.5	10.5	14	9	23
Cuba	30.0	90.0	120	80	200
Dominican Republic	7.5	22.5	30	20	50
El Salvador	7.0	21.0	28	19	47
Guatemala	13.0	39.0	52	35	87
Haiti	7.0	20.0	27	18	45
Honduras	3.0	9.0	12	8	20
Mexico	159.0	476.0	635	635	1,270
Nicaragua	4.0	12.0	16	11	27
Panama	2.5	7.5	10	7	17
Total	920.0	2,760.0	3,680	3,332	7,012

TABLE 3.—*New development: Estimated total value of equipment to be supplied by the United States to the other American republics, and of used equipment in each year of the first 10-year post-war period*

Year	Total value of equipment (millions of dollars)	Percent used equipment	Value of used equipment (millions of dollars)
1	250	60	150
2	250	50	125
3	300	40	120
4	350	30	105
5	400	20	80
6	450	20	90
7	500	15	75
8	500	15	75
9	400	15	60
10	280	15	40
Total	3,680		920

Replacement in existing plants.

1. During the war, existing capital equipment in the other American republics has been subjected to heavy usage, frequently without adequate repair. Depreciation and obsolescence have reduced the effectiveness of such equipment. It may be assumed, therefore, that within the first 4 years after the war 40 percent of the existing capital equipment will require replacement. If the current value of all productive equipment and machinery in Latin America may be estimated at $7,000,000,000, replacements could be assumed to cost $2,800,000,000.

2. Some of the more industrialized American republics will be able to supply a substantial part of the replacement equipment that they will require; others, lacking productive facilities, will be able to provide little, if any, of the machinery and equipment they will need. Inasmuch as land and buildings will already have been provided, it is reasonable to assume that the proportion of replacement equipment produced domestically will be lower than that for the development of new plant facilities. It is estimated, therefore, that 75 percent of the required replacement equipment must necessarily be imported, presumably in large part from the United States, and that no more than 25 percent will be produced domestically. Based on this assumption, imports of replacement equipment may be expected to amount to $2,100,000,000.

3. A part of these imports will, of course, consist of used materials. And, inasmuch as they will be required shortly after the termination of the war, it may be supposed that the proportion of used equipment to the total will be higher than that for the development of new plant capacity, which will extend over a long period. Consequently, it is suggested that one-third of the imports of replacement equipment, or $700,000,000, will be used equipment, and the remainder, or $1,400,000,000, new equipment.

Estimates of the total replacement equipment required in the other American republics from foreign and domestic sources are presented in table 4. The distribution of this equipment, used and new, among the other American republics is shown in terms of value in table 5. Estimates of the total value of replacement equipment to be supplied by the United States in each of the first 4 years after the war and of the value of used equipment from that source are given in table 6.

TABLE 4.—*Replacement equipment: Total estimated requirements of the other American republics from foreign and domestic sources in the first 4 years after the war.*

[In millions of dollars]

	Value
Total value of existing capital goods	7,000
Value of probable replacements (40 percent)	2,800
To be supplied by domestic sources (25 percent)	700
To be supplied by imports (75 percent)	2,100
Used equipment (33⅓ percent)	700
New equipment (66⅔ percent)	1,400

TABLE 5.—*Replacement equipment: Total estimated requirements of the other American republics, by countries, in the first 4 years after the war*

[In millions of dollars]

Country	United States equipment			Latin American equipment	Total
	Used	New	Total		
Argentine	76	152	228	105	333
Bolivia	14	29	43		43
Brazil	239	480	719	326	1,045
Chile	49	99	148	65	213
Colombia	48	97	145	16	161
Ecuador	14	28	42		42
Paraguay	5	9	14		14
Peru	37	74	111	12	123
Uruguay	13	27	40	5	45
Venezuela	20	40	60	7	67
Costa Rica	3	5	8		8
Cuba	24	48	72	8	80
Dominican Republic	7	13	20		20
El Salvador	7	13	20		20
Guatemala	12	23	35		35
Haiti	6	12	18		18
Honduras	3	5	8		8
Mexico	117	234	351	156	507
Nicaragua	4	7	11		11
Panama	2	5	7		7
Total	700	1,400	2,100	700	2,800

TABLE 6.—*Replacement equipment: Total estimated requirements of the other American republics from foreign sources in the first 4 years after the war*

Year	Total value of equipment	Percent used equipment	Value of used equipment
1	$500,000,000	52	$260,000,000
2	700,000,000	35	245,000,000
3	600,000,000	25	150,000,000
4	300,000,000	15	45,000,000
Total	2,100,000,000		700,000,000

Columbia University
NOV 15 1944

MOBILIZATION AND DEMOBILIZATION PROBLEMS

(Earlier hearings are contained in Parts 10 to 16 of hearings entitled "Problems of Contract Termination," and in Parts 1 to 15 entitled "Mobilization and Demobilization Problems")

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1478, S. 1609, S. 1680, S. 1775, S. 1794, S. 1803, S. 1815, S. 2045, S. 2065

PART 16

UTILIZATION AND DISPOSITION OF SURPLUS WAR PROPERTY

APPENDIX: LETTERS AND STATEMENTS—AGRICULTURAL, INDUSTRIAL, AND EDUCATIONAL QUESTIONS

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APPENDIX

MISCELLANEOUS LETTERS AND STATEMENTS ON THE GENERAL SUBJECT OF DISPOSAL OF SURPLUS WAR PROPERTY

PROPOSED POLICY FOR DISPOSITION OF MACHINE TOOLS

(By the planning committee, National Machine Tool Builders' Association, as amended March 3, 1944)

When the war ends the Government will have a large surplus of relatively new machine tools which will be superior in accuracy and productivity to many machines now used in Government arsenals and in private industry.

The first step, obviously, is to give the armed service ample opportunity to set aside, as insurance against a future emergency, plants, arsenals, yards, and a strategic reserve of machine tools, jigs, fixtures, cutting tools, and gages.

This war has proven that superiority in the industrial output of war materials is an essential requirement for victory. The maintenance of adequate capacity in time of peace is the only way to avoid a desperate emergency if war should break out. The machine-tool industry is determined that it shall never again be accused of being a bottleneck in a war program.

It follows that no Government-owned machine tools should be released until the head of the branch of the services that holds it certifies that it will never be needed for the safety of the Nation.

In the meantime, the manufacturers who have converted their plants from peacetime products to the manufacture of war products are intensely interested in making the reverse shift at the proper time as quickly and as smoothly as possible, in order to maintain employment.

Machines purchased by the Government since January 1, 1939, should come under this plan either (1) when and if the services decide that certain plants or certain machines are no longer needed; or (2) the lessee or contractor using the Government-owned machine elects to purchase the quipment he has or part of it by exercising his option.

If contractors are to buy any machine tools from the Government for use in conversion to the production of their peacetime products, they must know as quickly as possible—

1. What machines they may buy.
2. When the machines will be delivered.
3. What the price will be, and when they may take title.

In order to have the least amount of unemployment between the end of war production and the beginning of peacetime operation, the Government should be in position to give prompt answers to these questions. For the good of government, industry, and labor it is desirable that there should be the smoothest possible blending between the cessation of wartime production and the beginning of peacetime activities.

It must be kept in mind that if manufacturers cannot get satisfactory answers at an early date, they must, in self-defense, place orders for new machine tools that will be needed for reconversion for the quick employment of labor and the early production of their peacetime products.

It should be possible for the contractor who is using Government-owned machines, to buy the ones he knows he desires to retain, even if he continues to operate them on war material for some time to come.

The Government should assume responsibility for removing from the contractor's floor space, as promptly as possible after the cutting back or final termination of contract, all Government-owned machines and other equipment which is

not sold to the manufacturer so that he can clear his factory floor and reinstall machine tolls and other equipment required in the production of his peacetime product. Any delay in doing this will, of course, postpone getting men and women back to work.

In removing and storing these machines, it should be borne in mind that careless handling by unskilled persons or storage in improper places will reduce their value far more quickly than hard use in the shop under normal working conditions, and can ruin them completely.

The procedure suggested below is an alternative to any provided by existing emergency plant facility or defense plant contracts. It applies only to Government-owned machines purchased since January 1, 1939.

The basic principle in this suggested plan is to establish an immediate channel for disposal within this country, whereby employment of American labor in the period between war and normal business may be sustained.

1. The Government will decide promptly which of the present Government-operated arsenals, plants, and yards it may wish to retain to meet possible future emergencies, together with such machinery and equipment as the armed services decide they should have as a strategic reserve. Arsenals and yards retained after the war should be equipped with modern types of machine tools throughout. An additional reserve of very special or critical types (which are hard to get in adequate quantities in time of war) should also be retained. The machines set aside as surplus are to be slushed and stored in Government warehouses.

2. Contractors or lessees who are operating Government-owned machine tools, either in their own plants or in plants financed by the Government, and who have an option on such machine tools are to be given an opportunity as outlined below, to purchase any or all of these machines, when they shall have been released by the Government department charged with their disposition.

Of these machines also if not sold to the present lessee, the Government shall choose promptly the most modern and critical types with which to fully equip its own plants; and shall also set aside a surplus of such machine tools to avoid a shortage in case of a possible future emergency.

3. The price of machine tools will be "as is and where is," not including packing or shipping charges required, and will be the following percentage of invoice price originally charged by the machine-tool builder for the machine itself. Special attachments or accessory equipment need not be purchased with the machine. If the customer wants them, the same price basis is used.

The price is to be 75 percent of the original invoice price, less an additional 1 percent of the invoice price for each month from date of original shipment by the machine-tool builder to the month of sale; or if the machine remains in use on war production, the 1 percent deduction from the original invoice price shall continue until the contract or subcontract is terminated. The total deductions from the original invoice price shall not exceed 55 percent.

4. The procedure for sale may be initiated either by the Government through the disposal authority or by the contractor who has the machine tool in his plant.

5. If the Government desides that a machine tool is no longer required for war work, it shall so notify the contractor in sufficient time to give him a 60-day option to purchase the machine. Should the contractor decide not to purchase the machine, he shall be permitted, when Government work on the machine is terminated and within the foregoing 60-day period, to remove it to any other location provided it is suitably protected from deterioration. During the same 60-day period the contractor may at his discretion assist the Government to sell the machine to any other domestic purchaser at the same price and terms stipulated above.

At any time within the 60-day period following contractor's decision not to purchase, the Government may, and at the end of the 60-day period the Government shall relieve the contractor of the machine, unless the contractor shall agree to continue storage of the machine for a longer period at a mutually satisfactory rental for the premises.

6. If prior to a determination by the Government that a machine is no longer needed for war work, the lessee or user of the machine wishes to purchase it, he shall so notify the appropriate disposal authority and may purchase the machine at the discounts outlined herein and on condition that the machine shall be used on war production as long as required by the Government.

7. If a contractor no longer needs the machine for war work and does not want to buy the machine, he may so notify the disposal authority and waive his option to purchase, whereupon the Government shall remove the machine from his plant in not more than 30 days.

8. If a machine tool is still unsold 90 days or more after it has been offered to any domestic buyer at the discounts outlined above, the disposal authority may give it to any established educational institution, not organized for profit, which can make use of it for educational purposes, and it will also be available from that time on for purchase by any foreign buyer.

9. If domestic or foreign buyers of such Government-owned machine tools purchased from the Government want them rebuilt, or reconditioned, or alteerd in any respect, they may make their own arrangement with the original builder of the machine or with his authorized agent.

The normal terms of sale in the machine-tool industry are 30 days net. In those cases where financing is required, adequate private facilities are already available. We suggest that payment be due 30 days after date of end of use of the machine on war work, if it is purchased by the present lessee. In general, the procedure should be as simple as possible; thus there are no conditions such as a commitment to scrap replaced machines, or to demonstrate that the purchase of the machine tool from the Government will increase production. There is no recourse if customer finds the machine has been damaged, although he is given an opportunity of inspection. The enormous size of the task will make it impossible to handle it promptly except along the simplest lines.

WM. P. KIRK, *Chairman*,
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Committee on Planning.

TYPEWRITER MANUFACTURERS EXPORT ASSOCIATION,
Washington, D. C., March 8, 1944.

MEMORANDUM—UNITED STATES FOREIGN TRADE IN TYPEWRITERS IN RELATION TO DISPOSAL OF GOVERNMENT SURPLUSES

This association is concerned with disposal of Government-owned surpluses of typewriters only to the extent that the sale thereof may affect future typewriter exports or the operations of the members' distributors abroad.

Unless made under sound over-all policies and adequate safeguards, direct sales by the United States Government to foreign governments or to foreign users could do vast damage to the long established export trade of our industry.

CHARACTER AND EXTENT OF NORMAL TRADE

Typewriters have been exported from the United States for over 50 years. During the past 25 years these exports have gone to every trading area in the world. The industry exports 25 to 35 percent of its production. The value of this trade has fluctuated between ten and twenty-five millions of dollars, in spite of increasing manufacture in several European countries.

During the year and a half in which these American manufacturers were entirely out of production, European manufacturers have continuously maintained or increased their production, thus placing them in a more favorable marketing position in the post-victory era. Present authorization of typewriter production here is less than 10 percent of normal volume. Naturally we seek every appropriate assistance toward retaining our hard won markets abroad.

Distribution in foreign countries is normally made through franchised exclusive distributors—nationals of the country in which they operate. Since 1941 these representatives have been starved for typewriters to sell. Our members' contracts with them usually provide remuneration to them by the maker in the event that machines of the make they represent are brought into the market through other channels. These machines are readily identified by their serial numbers.

Our first desideratum, in the event of our Government's leaving or placing surplus typewriters in foreign markets, is to have them released through the established franchised distributors and dealers of our companies. The second

is that sales to users be arranged at price levels which will not utterly destroy competitively established fair price structures built up through the years. (In the matter of price, we wish to point out that typewriters acquired by our Government have been bought at a statutory price—entirely out of proportion to trade prices. Thus, direct sales by the Government to users, rather than through the established importers, might be made at prices far below normal resale prices for machines in comparable condition.)

LOCATION AND EXTENT OF SURPLUSES

We cannot presume to provide much light on the total number of typewriters which will become surplus to the Government at the close of the war. Those located within the United States do not concern this association unless sold by the Government to "agencies of foreign governments." This we hope will not occur at all.

Surpluses located abroad, we believe, may run into tens of thousands of typewriters. They will be in the hands of several different branches of our Government, such as Army, Navy, Maritime Commission, Foreign Economic Administration, State Department. Also, as we understand it, the United States still holds title to thousands of typewriters which have been furnished under lend-lease to Allied belligerents for their use. It seems more than likely that surpluses in a given area will be entirely out of proportion to the needs of that area; if dumped there, future sales of newly produced typewriters might be stifled for years to come.

We remind you that typewriters accompany our Army in great quantities—at least one in every bomber, one or more with every detachment of troops, many in each base or evacuation hospital, scores in staff headquarters, supply bases, warehouses, etc. Most of these typewriters are equipped with American keyboards and elite type. Most foreign markets require characteristic keyboards and pica type generally is preferred. This makes it desirable, from the standpoint of manufacturers' goodwill, to have distribution of surpluses channeled through their own or their representatives' hands. In this way suitable changes in machines could be made. Also, machines could be diverted to areas where their distribution would either (1) not interfere seriously with the sales of new typewriters, or (2) serve to furnish distributors in "starved" areas with some machines to sell pending delivery of adequate stocks of new machines. Thus would be kept open the existing established American distribution channels.

THE LOGICAL SOLUTION

It is our feeling that liquidation of surpluses of typewriters located abroad could be handled effectively and completed in the course of a few months if it were stipulated in legislation or appropriate regulations (applying to all custodian agencies) that surplus typewriters located abroad be safely stored and optioned to the manufacturers for a 6-month period, during which time an exact inventory and condition report, by make, should be prepared and negotiations entered into with both the original manufacturers and the representatives of manufacturers in the areas where the machines are stored. If agreement satisfactory to both the Government and the manufacturer is not reached during this 6-month period, the surplus may be disposed of without further option to the manufacturer.

RESULTS OF THIS METHOD

It is our sincere belief that indiscriminate sales of overseas surpluses to users, speculators, unfranchised dealers, or even to foreign competitors would cause very serious disturbances to our future trade. We believe that the State Department, the Commerce Department, and the Foreign Economic Administration will subscribe heartily to this view. We believe their plans and polities are diametrically opposed to such loose liquidation.

The method we suggest will, we believe, bring about a better return to the Treasury than any other method which could be pursued. The principal benefit to our national economy would lie in the possibility thus provided for orderly distribution and increased post-victory employment in our factories. Incidental benefits would be—

(1) Manufacturers could play distribution of these machines in the areas where they are located to a suitable extent, and could ship the remainder to other markets where the pent-up demands cannot be immediately satisfied with new typewriters.

(2) Manufacturers or their franchised representatives are equipped to recondition and convert typewriters to suitability for use in the receiving area. This would avoid injury to manufacturers' reputations which might result from the sale to users of "as is" machines.

(3) Foreign representatives, who otherwise would be denied stocks for months, could obtain a portion of these stocks to keep their businesses going.

(4) The manufacturers could thus prepare for the introduction of new typewriters into foreign markets in an orderly manner, and accordingly plan their maximum production.

(5) Increased employment here at home would thus result.

ERIC T. KING, *Secretary.*

A CRITICAL ANALYSIS OF POST-WAR MACHINE-TOOL DISPOSAL PLANS

Address Before the Providence Engineering Society, Providence, R. I., May 16, 1944, by Frederick S. Blackall, Jr., President and Treasurer, the Taft-Peirce Manufacturing Co., Woonsocket, R. I.

Few persons outside of the machine-tool industry, and indeed not all of those within it, have more than a vague concept of the extent of that industry's expansion of production during the past 5 years. Even in an era when it is commonplace to talk in billions rather than millions, the machine-tool builders' production, in comparison with past demand and in its impact on its future markets, is unique in our industrial history.

Now, in this audience there are some who are intimately involved in the manufacture or use of machine tools, but a substantial number of you may wonder wherein this recital of the problems of the machine-tool industry has any impact on your problems. I am going to say that the solution of this problem will be a major force in shaping the post-war progress of your industry, regardless of what it is. It will have a vital bearing on every industrial process in existence, for every product in existence is either made on a machine tool or created by machinery or equipment which is made on machine tools. The machine-tool industry is the basic industry of modern mass production. The extent to which tremendous reserve of productive capacity is put to work promptly or, per contra, is withheld from use for a protracted period, will determine in considerable measure the post-war productive capacity of our Nation, and this factor in the delicate balance between productive supply and demand, in turn, will influence prices and production of virtually every product made.

Incidentally, as a minor side light, even if you don't use machine tools directly in the manufacture of your product, the chances are that you employ them in your maintenance departments or elsewhere, and the opportunities which will doubtless be available for putting your machine shop in top-notch condition at modest expense at the war's end is something which every engineer and executive should know about.

If you are in doubt as to the importance to general industrial production of the number of machine tools in use, take a look at this chart [exhibit 6] of Machine Tools In Use. It indicates rather clearly what happened in the machine-tool industry after the last war. The top of the lightly shaded area indicates the accumulation of machine tools not over 13 years old. At the beginning of 1920, more than half of the machines then installed had been producing during the previous 5 years and were therefore in excellent condition. The great post-war expansion in the production of goods of all kinds was made possible by putting this great pool of machine tools to work on peacetime goods.

In spite of the revolutionary changes in design, which occurred during the succeeding decade, trebling the unit productivity of most machine tools, the number of new machines installed from 1921 through the early thirties was only a small fraction of the total number of machine tools in use. It is therefore clear that the strong upward trend in the national income from 1921 to 1929 was the result of an industrial expansion made possible by the large pool of machine tools carried over from the war, plus a very small volume of new and more productive machine tools produced in the decade ending in 1929.

The tremendous potentialities of the present situation will be appreciated when you consider that expansion to meet machine-tool requirements for the present war is about 10 times that of World War I.

The next slide [exhibit 9] shows the volume of machine tools which were not over 13 years old, which were in use at the end of 1943. Note that this reservoir of modern machinery represents a cost of over $4,000,000,000, of which three-quarters had been built during the prior 3 years. Add 1944 production to this, and the figure would rise to fully $5,000,000,000.

In comparison, in the previous all time peak of the volume of machine tools in use, which occurred in 1929; only one-quarter of the machines in use were 3 years old or less. Incidentally, this picture does not take into account thousands of machines, more than 13 years old, which are entirely satisfactory for less exacting operation. Just think of what this means in the potential capacity of our Nation to produce all manner of goods and build up its national income in the post-war period. But it points also to the paramount imprtance of approaching the machine-tool disposal problem intelligently and in a manner which will insure using this vast reservoir of equipment effectively.

Let us look further at the record.

Between 1900 and 1936, the machine-tool industry built an aggregate of $2,696,100,000 worth of machine tools. Bear in mind now that this figure includes the entire production of World War I, which amounted, by the way, taking the figures from 1915 to 1918, inclusive, to $633,900,000. This figure also includes the reconstruction demand of 1919 and '20, amounting to a mere $312,500,000; and includes, of course, the production of 1918, $220,600,000, the biggest year the industry had ever enjoyed prior to 1940. Roughly $2,700,000,000, then, was the industry's aggregate production for 36 years.

Early in 1937, the British, the Russians, and the French began to buy machine tools on an unprecedented scale, and in that year production rose to $195,000,000. Exhibit I shows what happened when total war burst upon a world ill-prepared, so far as the United Nations were concerned, for the Gargantuan requirements of mechanized military operations. Following a lull before the storm in 1938, production soared to $200,000,000 in 1939 and approximately doubled in each of the following years, reaching a peak of $1,300,000,000 in 1943. Thus you will see the aggregate production of the defense era and the period of actual warfare to date amounts to $4,375,000,000, or 148.5 percent of the previous 36 years.

The next slide [exhibit 2] is interesting in showing how much more severe the swings of the machine-tool industry are than those of general manufacturing production. Before industry as a whole starts a downward trend after a period of sustained activity, machine-tool orders begin the descent from overproduction to severe depression. This slide again emphasizes the great production of machine tools during the war period even in relationship to that of general industry.

Now it may be argued that dollar figures are an inaccurate gage of physical production in that the price index of machine tools has risen more or less steadily from the start of this period until post-Pearl Harbor price ceilings halted the trend. This is true, but on any basis of calculation it cannot be doubted that we have in this country today enough machine tools less than 5 years old to outlast a normal demand of, say 20 years.

According to the American Machinist survey of 1940 1,323,000 metal working machines were employed in industry, of which, by the way 70 percent were over 10 years old. Of these, only 908,000, strictly speaking, are machine tools. During the war period, 700,000 additional tools have been built for domestic use, which you will note, is close to the total number in use before the war, and through the operation of E. P. F. and D. P. C. contracts—that means Emergency Plant Facilities and Defense Plant Corporation contracts—or through initial purchase, the Government upon V-day will own 500,000 of these.

Naturally, the disposal of this immense reservoir of machinery is a problem of the most critical nature, not only for the machine-tool builder, but for industry at large. The whole pattern of our productive economy will be intimately bound up with the manner in which these machines are disposed of, where and how they are sold and especially how quickly they are put into productive use. Naturally, then, with the advent of post-war planning, the problem has given rise to all manner of proposals, the more important of which I shall attempt to analyze in these remarks tonight.

The characteristics of the several major plans advanced fall more or less naturally into three categories, which, with some risk of criticism, if not caustic comment, I shall classify as factual, political, and dictated by special interests. Of course all of them possess certain common features, and to a degree overlap

in one characteristic or another, so perhaps we should dispose of their areas of agreement before we pursue the more debatable features.

First, then, all plans are in virtual agreement that Government arsenals, navy yards, ordnance plants, and so forth, should have first pick, subject only to the legal or implied options of contractors to acquire equipment which they have been using in war work; and it is generally agreed that the Government should avail itself of this rare opportunity to put its house in order by junking its outworn equipment and starting at post-war scratch with machinery of the very latest and best design. In this connection, it seems likely too, that in the future we shall become a military nation to a far greater degree than has heretofore been the case, and that a certain number of stand-by or shadow plants will be retained and kept in grease, so to speak, against a possible future day of need. Such plants, whose obsolescence factor is high anyway, will be worthless unless equipped with the best of everything at the outset. It is estimated that these sources can absorb approximately 75,000 machine tools.

If the planners have their way, educational institutions will have a field day at the war's end in equipping their machine-tool laboratories and shops with machines of the latest vintage at no cost, or possibly at $1 each. Practically all of the plans include this provision, usually coupled with the stipulation that such institutions must be in some measure publicly supported. Perhaps another 15,000 tools will be preempted in this manner.

I should like to make three observations pertinent to this proposal, by the way: (1) Care must be taken to prevent unscrupulous operators, with an eye to the main chance, from setting up "vocational schools"—in quotation marks—and then using their "learners"—again in quotes—as low-cost labor to compete with private industry in the commercial machine shop products market; (2) some provision should be made to afford to privately supported nonprofit institutions of learning, of unquestionable repute and integrity, the opportunity similarly to equip their machine-tool laboratories, even though they are not normally recipients of public funds. Whether universities such as Yale, Harvard, and Brown are publicly supported within the meaning and intent of the proposed legislation, I am not sure. Probably they are, if only because they are tax-exempt, but, if not, the legislation should be drawn to include them; (3) since many of you here are loyal alumni of one institution or another, I urge you to communicate with your schools and suggest the desirability of their building up a file of up-to-date machine-tool catalogs and data at once and, as soon as this is done, preparing a list of the machines which they would like to requisition when and if the opportunity is offered, for it is apt to be a case of "first come, first served." The school with a well-integrated plan probably will receive more consideration than one which doesn't know what it wants.

Many machines in the Government pool will have been acquired by private operators through Emergency Plant Facilities contracts or Defense Plant Corporation leases. At the war's end, title to this equipment will be in the Federal Government, subject, however, to repurchase options running to the contractor, under which the contractor will have the right to acquire the equipment for his own purposes on the basis of cost less a stipulated depreciation or amortization factor, usually 12 percent per annum of use. Most of the planners agree that these contractual obligations must be and should be respected.

Indeed, it is difficult to see how the Government could default on this legal obligation. In fact, from the Government's point of view, it is to be hoped that these options will be exercised widely and freely, for any machines which contractors do not elect to keep must be removed very promptly by the Government, and the physical problem of storage of hundreds of thousands of machine tools is a staggering one. I believe that the Dodge plant at Chicago, which was built purely for war production, is the largest single plant in the world, and it is estimated that if this plant alone were converted into a Government warehouse, it could not house more than 20,000 machines if they were packed in like sardines in a box, or more than 10,000 if they were stored in orderly fashion, as they would almost certainly have to be, so that prospective buyers could view the machines and determine their condition before bidding. If the Government had to find storage space for the entire Government pool, I don't know how the problem could be solved—indeed I question whether it could be. Washington is well aware of these facts, and the services are now making a survey of contractors in an effort to determine how many of their machines which are subject to purchase option will be retained in peacetime pursuits.

One of the favorite sports of planners, commentators, and prognosticators of late has been to analyze the potential break-down of the Government's pool of machine tools. Here is one of the latest guesses:

	Machine tools
Produced in 1941–43	800,000
Sent abroad	100,000
Now in this country (of which perhaps 25 percent, or 175,000, are owned by private industry)	700,000
To be retained by Army and Navy, estimated	75,000
To be given to trade schools and colleges, estimated	15,000
Designed as very special—not adaptable to peacetime needs	50,000
Russia and other foreign buyers may take in 5 years	150,000
Balance still available	410,000
Add 1944 production, estimated	82,500
Available for peacetime production at the end of 1944	492,500

Before 1941 approximately 1,000,000 machine tools were in existence. Sixty percent of these are now over 15 years old—that is, 600,000 machine tools might be called eligible for replacement. Including those already owned by private industry, we shall have enough machines at the end of 1944 to replace 81 percent of American machine toools which are over 15 years old.

Now in discussing the various disposal plans thus far, I have touched only on the areas of agreement, all of which I should call factual in character. We now come to the points of divergence.

The machine-tool dealer is quite naturally vitally concerned with the manner in which the Government pool is distributed, and the gentlemen of this fraternity were among the first to be articulate in advancing plans to this end.

One of the first of the dealer plans was proposed by J. R. Porter of the Marshall & Huschart Machinery Co., of Chicago, a legitimate new machine-tool distributor, in an article in the American Machinist in March 1943. He suggested that distribution of machinery not required for Government arsenals, etc., be handled by the original manufacturer exclusively in every case through his accredited sales outlets, except in the case of obsolete models, which would be released through second-hand machinery dealers. Sales for speculation (whatever that means) would be taboo. Manufacturer and dealer, respectively, would be compensated on a fixed percentage basis. After a sales period to be determined, the balance would be given to schools or sold to foreign buyers, and any balance left after a reasonable period would be scrapped.

Mr. George R. Shuman, a second-hand dealer of Detroit, somewhat less analytically merely suggests that sales be through dealers exclusively.

Both of these plans I should classify as dictated by special interest, but in any event, I doubt whether either of these gentlemen, however sincere his intentions, has a real comprehension of the magnitude of the task which he would toss into the laps of the manufacturer and dealer, respectively. If they were to take over the inventorying and sale of half a million machine tools upon V-day, I am afraid they would have time for little else for months, and indeed probably for some years, after the war. This is hardly in line with the universal concept that industry's job, post-war, is to get its wheels rolling with all possible dispatch on the products of the post-war era.

I understand that some 26 or more bills have already been submitted to Congress dealing with the disposal of machine tools and, in some cases, other Government property. Most prominent among these as far as machine tools are concerned, are the Starnes bill and the Murray bill. These are much alike, the second being little more than an amendment of the first, and both contain major features of a plan proposed late in 1943 by N. P. Lloyd, of Lloyd & Arms, machine-tool dealers of Philadelphia, who had been serving as an adviser to the commanding general of the Ordnance Department. Both plans, in my humble opinion, are too much affected by political considerations of the most banal nature, and both would fall by their own weight.

These bills set up the following procedure:

1. A machine-tool disposal board would be appointed to deal with the problem.
2. All machine tools involved would be classified into three age groups, a staggering and time-consuming task in itself.

3. Actual disposal would be handled in the following order:

First. Government arsenals, etc.

Second. By sale to smaller war plants, which are defined as plants utilizing less than 100 machines for 75 percent (Murray bill) or 60 percent (Starnes bill) of their production.

Third. By sale to veterans. (Veterans are mentioned in third place, but are to be given preference, the meaning of which is not entirely clear.) Loans, if necessary, shall be made available to smaller shops and to veterans at not over 3 percent interest.

Fourth. In the Starnes bill (but note that this provision is entirely omitted in the Murray bill)[1] larger concerns may acquire any machines which have been found to be unsuited for the use and capacity of smaller plants.

Educational institutions get fifth place. When they have been satisfied, the balance of the machines shall be made available to friendly foreign nations (in wording of the Murray bill) or foreign nations in the Western Hemisphere only (according to the Starnes bill) and their nationals on a sale or barter basis. Whatever is left over after these steps have been completed shall be scrapped after approximately 5 years and 4 months from the end of the war.

The reductio ad absurdum in this bill is the small-business complex. Nobody who operates over a hundred machine tools on 60 or 75 percent of his production can buy any of this equipment, at least until a survey has been made of the capacity of the small-business firms of this country. (And can you imagine how long it would take Congress or an appointed commission to make and report such a study?) And even when this has been done, no large buyer can acquire title to any of this machinery until it has been conclusively determined that the equipment otherwise to be sold is beyond the means or capacity of any smaller buyer. It is something like opening the largest department store in the world and then refusing to sell anybody over $50 worth of merchandise. Or like trying to bail out Boulder Dam with a water tumbler.

Certainly the Government machine-tool pool should be made as readily available to small business as to large; but the reverse is equally true, and even more important from the point of view of putting these machines to work, for we must look especially to the medium-sized businesses and the larger corporations to absorb much of this pool if it is to be absorbed at all and saved from the speculative market, which our representatives view with such horror.

I am informed that 31 corporations now operate half of the total Government facilities in use, and that 150 corporations account for 77 percent of our war production. Is it going to be part of our post-war planning to try to put these corporations out of business—concerns like General Motors, Chrysler, International Business Machines, the great aircraft companies, and a host of others, whose contributions to our peacetime economy are unquestionably very great, or are we going to utilize them, as we obviously should, as a spearhead in attacking the post-war unemployment problem? General Motors alone has announced a potential demand for 30,000 machine tools for peacetime production. And what is going to happen if, through some legal subterfuge, a small business operating less than 100 machine tools secures the requisite financial backing to buy, say, 10,000 machine tools? Are they still a small business when the purchase has been made, or will the sale be canceled?

Under both the Murray bill and the Starnes bill sales for speculation, even if determined as such post facto, are null and void. The fear that somebody will make a dime on this equipment is another typical political approach to the problem. I am not so sure that a man who buys some of this equipment on speculation isn't indeed performing a worthy service. He must find a buyer or move the equipment out of Government storage into his own warehouse, and I don't know why he shouldn't be entitled to a reward for the risk which he is taking and the service which he is rendering. How else is it going to be practicable for the Government to get these machines into the hands of small buyers, for whose interests they are so solicitious? It is the second-hand machinery dealer who buys on spec and goes hunting for a buyer, whom he may find months or even years later, who normally fills the demand of the small manufacturer and the country blacksmith shop.

The sop to the returning veteran is another political pot boiler. Under these bills the veteran is to be given preference, which is a vague statement at best. Being a war veteran myself, though, as you may divine from my thinning and

graying hair, a veteran of another war, I can speak with some feeling on this subject without being accused of lack of patriotism or of casting aspersions on the great service which our soldiers and sailors are rendering in the defense of all that we hold dear. But I know something of the psychology of boys who go to war, because I went to war as a boy, and I don't think these kids are fighting out there for a hand-out or for a life membership in a vested interest. I think the greatest service we can perform in their behalf is to assure a self-sustaining economy, a prosperous industry and commerce, and a minimum of unemployment and economic distress in the world to which they will return. So far as the machine-tool problem is concerned, the best way to do this is to put these machines to work, and do it promptly, soundly, economically, and on a basis of equal opportunity for all, whether large, small, civilian, veteran, or what not. In this process time is an essential factor, and if the Nero of bureaucracy fiddles while industrial Rome burns, I don't think our returning heroes are going to thank us for our pipsqueak vote-getting laws which appear to pamper but actually pauperize them.

Both the Murray bill and the Starnes bill happily are still in committee, and it is my belief that in the long run sound sense will prevail and some of their unworkable features will be supplanted by a more practicable approach to the problems involved.

In the meantime, the only disposal procedure which has been set up officially exists under Executive Order No. 9425, under which the Reconstruction Finance Corporation has been designated to dispose of Government-owned manufacturing equipment, including machine tools. The Reconstruction Finance Corporation is working out an agreement with the armed services as to procedure. According to latest reports the machines are to be held by the services until Reconstruction Finance Corporation can find a buyer or storage space. Machine-tool disposal under this order is in the hands of Mr. William L. Clayton, of the Reconstruction Finance Corporation, who is a very capable administrator, but the provisions of the directive are so vague and the problem is so complex that this can be regarded as little more than a hook on which the hat of subsequent legislation may be hung. I question whether any real progress will be made in the matter until more specific procedures have been adopted, either through legislation or further Executive order.

Of all the plans proposed to date, that submitted by the National Machine Tool Builders' Association appears to me to be the most realistic. In saying this I am in a somewhat vulnerable position, since I am a member of the committee which formulated it, but as a latecomer to that committee, I can be objective about it, since most of its features were well established before I came on. But, as a member of the committee, I can also vouch for the sincerity with which it has been framed. Indeed, the machine-tool builders have been so fearful of being accused of grinding their own ax that they have included some protections against themselves which may be unwise. In brief, here is their plan:

1. The Government shall decide promptly what present Government-owned arsenals, plants, and yards it may wish to retain to meet possible future emergencies.

2. Contractors or lessees operating Government-owned machine tools, either in their own plants or in plants financed by the Government, are to be given an opportunity as outlined below to purchase any or all of these machines when they shall have been released by the Government department charged with their disposition.

Opportunity for purchase on the same conditions extends also to new machine tools owned or contracted for by the Government which may not yet be installed or placed in operation.

3. Of the machine not thus sold to contractors, the Government shall set aside a supply of the most modern types so as to avoid a shortage in case of future emergencies. These are to be slushed and stored in Government warehouses.

4. The price of machine tools will be "as is and where is," not including packing or shipping charges, and will be the following percentage of invoice price originally charged by the machine-tool builder for the machine itself.

The price is to be 75 percent of the original invoice price, less an additional 1 percent of the invoice price for each month from date of original shipment by the machine-tool builder to the month of sale; or if the machine remains in use on war production, the 1-percent deduction from the original invoice price shall continue until the contract or subcontract is terminated. The total deduction for use, however, shall not exceed 30 percent of the original invoice price. Special attachments or accessory equipment need not be purchased with the machine. If the customer wants them, the same price basis is used.

5. The procedure for sale may be initiated either by the Government through the disposal authority or by the contractor himself.

6. If the Government decides that a machine tool is no longer required for war work, it shall notify the contractor in sufficient time to give him a 60-day option. If the option is not exercised, the machine must be removed from the contractor's plant to make place for reconversion of the shop to peacetime use. Upon removal, the machine becomes available for purchase by any other domestic buyer.

7. If, prior to determination by the Government that a machine is no longer needed for war work, the lessee or user of the machine wishes to purchase it, he shall notify the appropriate disposal authority and may purchase the machine at the scheduled discounts, subject to the condition that the machine shall be used on war production so long as required by the Government.

8. If a contractor no longer needs the machine for war work and does not want to buy the machine, he may notify the disposal authority and waive his option to purchase, whereupon the Government shall remove the machine from his plant within not more than 30 days.

9. If a machine tool is still unsold 90 days or more after it has been offered to any domestic buyer at the discounts scheduled, established schools and colleges may buy it at $1 per machine for education purposes.

10. Any foreign buyer may buy unsold Government-owned machine tools at the scheduled discount price, 90 days after they have been offered to any domestic buyer.

11. If domestic or foreign buyers of such Government-owned machine tools purchased from the Government want them rebuilt, or reconditioned, or altered in any respect, they may make their own arrangements with the builder or with his authorized agent or agents.

12. Terms of payment are net 30 days, dating from the end of use of the machine on war work, if it is purchased by the present lessee or holder. Any financing is to be done through private banking facilities. No commitment is made for scrapping replaced machines or any part of the Government pool. Presumably such problems would be left for later consideration, if necessary, the whole intent being to simplify the enormous task to the maximum extent possible.

If I were to criticize the plant, I should liberalize the pricing provisions to permit the Board to negotiate for sale at lower than the formula price if, in its judgment, condition of the equipment or economic conditions of the Nation justified it. The machine tool builders' pricing formula may be somewhat on the high side. The plan is closely parallel to one proposed by a Federal joint service committee, under the chairmanship of W. J. Johnson of the Reconstruction Finance Corporation, and it is significant that their plan is much more liberal in its pricing formula, permitting discounts as high as 78 percent on standard machne tools which are 54 months old, and as high as 98 percent on purely special machine tools which are more than 29 months old.

I believe that provision should be made for Government participation financing on some basis comparable to a Reconstruction Finance Corporation loan, if private financing were not available. I shoud remove the reference to reconditioning, leaving it to the buyer to make his own arrangements, as he undoubtedly will anyway in the normal channels of trade.

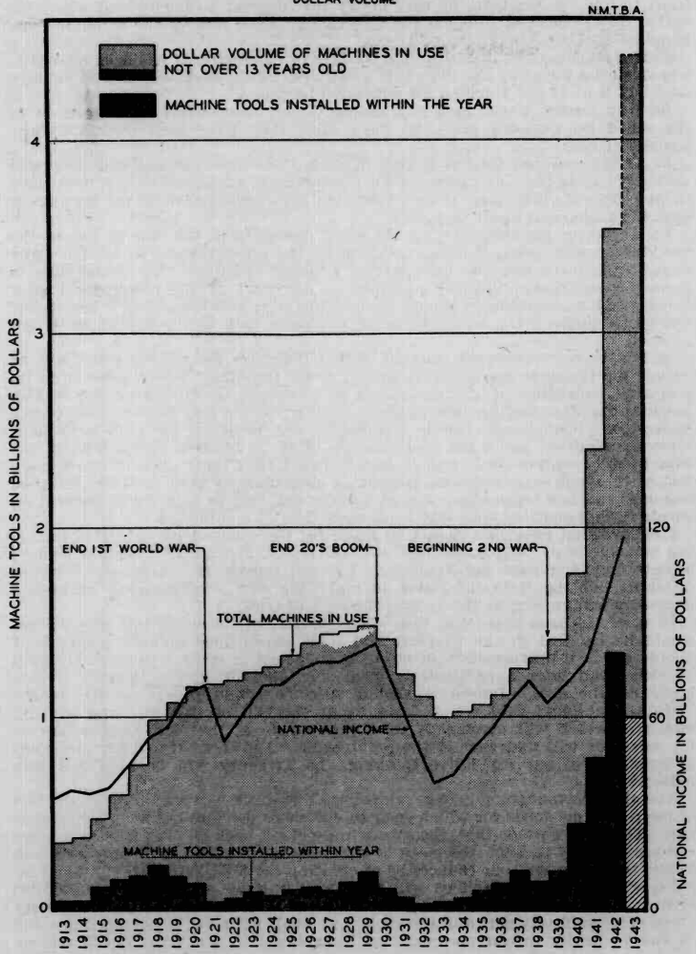
In brief, I shoud hope that this whole matter, in its monstrous proportions, would be handled in the simplest and most expeditious manner possible. I should not be concerned if an alert buyer happened to make a particularly good purchase and later a particularly good sale, thereby netting himself a nice profit on the deal. Indeed, I should welcome sound provisions for resale. With the national debt which faces us at the end of this war and the tax measures which will accompany it, I have no doubt that Mr. Morgenthau or his successor will take care of the profit angle. And if we try to put profit out of existence in our legislative thinking, the Treasury will be in a bad way indeed.

The all-important thing is to get these machines back to work in the production of the peacetime goods for which such an enormous demand has been accumulating. The sooner we do that, the sooner we will get back on even keel, where we can see our way through the maze of other problems which will confront us on V-day, the better will our chances be of creating the $135,000,000,000 national income which economists tell us will be necessary if we are to employ 9,000,000 more men than we did in our best pre-war peak of 1940, and thereby assure jobs for every employable citizen; and the sooner we shall wear out these machines and be able to justify their replacement with machines of that great era of techno-

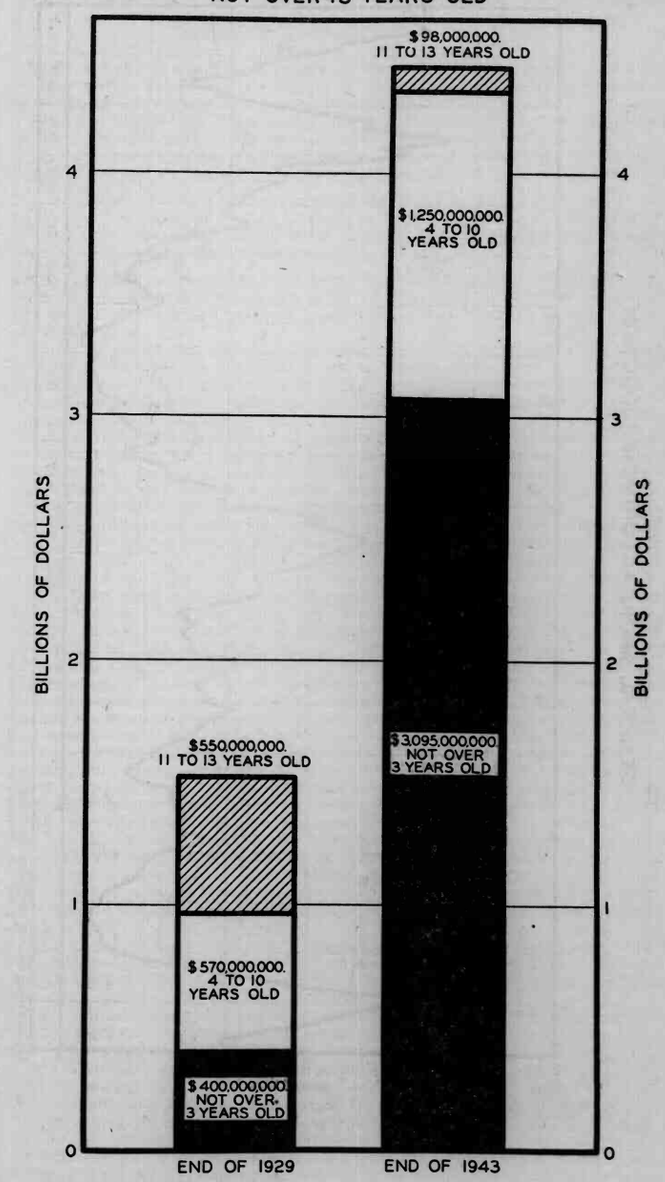
logical development which most certainly lies before us. So long as these machines overhang the market, just so long shall we freeze our technical development at about its present point. In use these machines are an asset; out of use they are a threat.

Since I am old-fashioned enough to believe that the law of supply and demand has not been repealed, my advice to our legislators would be not to monkey unduly with the buzz saw, for if we try to restrain this Frankenstein monster of a machine-tool program, it may break its bonds and destroy the industry which created it—the machine-tool industry, which is at the base of our Nation's industrial economy and its national defense. And my advice to you is to get this message across to your representatives in Congress before it is too late.

MACHINE TOOLS IN USE
NOT OVER 13 YEARS OLD
DOLLAR VOLUME


NMTBA
DOLLAR VOLUME OF MACHINES IN USE NOT OVER 13 YEARS OLD
MACHINE TOOLS INSTALLED WITHIN THE YEAR
MACHINE TOOLS IN BILLIONS OF DOLLARS
NATIONAL INCOME IN BILLIONS OF DOLLARS
END 1ST WORLD WAR
END 20'S BOOM
BEGINNING 2ND WAR
TOTAL MACHINES IN USE
NATIONAL INCOME
MACHINE TOOLS INSTALLED WITHIN YEAR
0
1
2
3
4
60
120
1913 1914 1915 1916 1917 1918 1919 1920 1921 1922 1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943

VOLUME OF MACHINE TOOLS IN USE AT END OF 1943
NOT OVER 13 YEARS OLD



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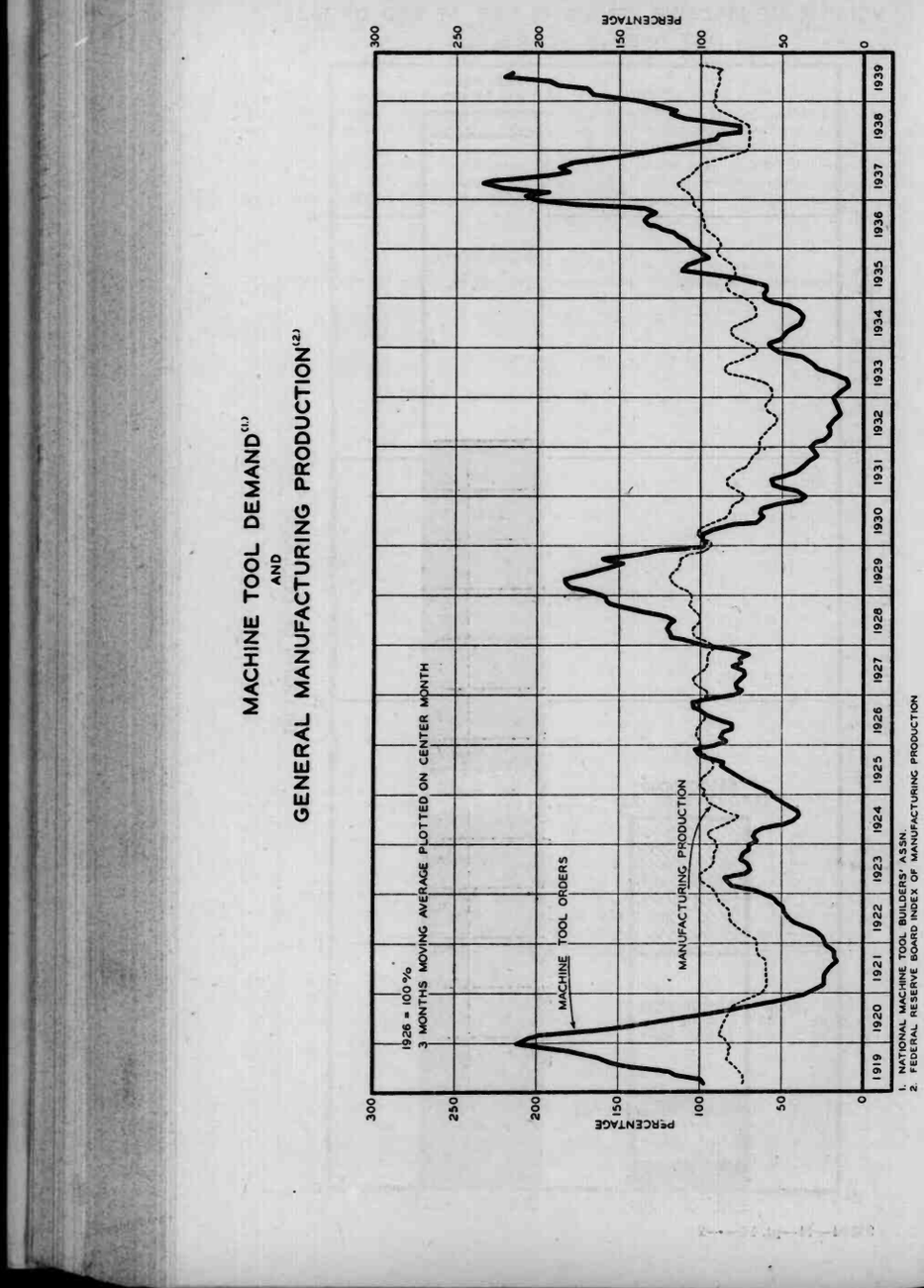

OVERSEAS AUTOMOTIVE CLUB,
New York, N. Y., May 24, 1944.

AUTOMOTIVE SURPLUS DISPOSAL OVERSEAS

After several meetings and lengthy discussions, this committee has reached sevaral conclusions on the disposition of automotive equipment in surplus overseas. These conclusions are appended herewith.

It should be stated specifically that this report concerns itself with automotive parts and accessories and automotive service-maintenance equipment.

The report was unanimously approved by the board of directors of the Overseas Automotive Club, at its meeting in New York on May 18, 1944.

The Overseas Automotive Club, Surplus Disposal Committee: B. Asper, James E. Burke, E. L. Caswell, B. G. Close, J. C. Gallagher, P. A. Karl, J. F. Kelly, W. H. Lukens, Paul E. Moss, George E. Quisenberry, R. C. Thompson.

The Overseas Automotive Club recognizes that automotive supplies in surplus overseas will be located generally in two areas: (*a*) In liberated countries, or (*b*) in areas from which military operations were commenced or in which bases are established.

Under (*a*) are such countries as France, Holland, Belgium, other countries of Europe, Philippines, Dutch East Indies, China, and others in the Far East. Under (*b*) the chief areas are such British Empire territories as England, Australia, New Zealand, and India, and the Near East, North Brazil, etc.

Recommendations include:

(1) That, insofar as possible, all surplus stocks of automotive property abroad be utilized in the liberated areas, since, however, much the surplus may be, it will far from restore to these countries the highway transportation that they had before the war. Surplus material should be freely distributed to these areas from any point at which they are held abroad. Motor transport and supplies provided to liberated areas may or may not be charged against American appropriations for United Nations Relief and Rehabilitation Administration, as directed by proper authority. It should be specified that material turned over to official or private users in any liberated area may not be reexported to a third country.

(2) That, insofar as possible, all automotive surplus remaining in the areas from which military operations have been commenced, or in which bases are located, should be disposed of to governments or other official agencies, such as postal, health, military, highway, etc. Provision should be made in contracts of disposal that the equipment should not be exported to any other country and that it must not be used by official agencies of the foreign government in competition with private enterprise. For example, such surplus transport equipment should not be made available to any governmentally owned aviation or steamship line competing with private American aviation or steamship lines. Also such transport equipment should not be permitted for use by governmentally owned railways on routes competing with privately owned transport facilities. Disposal contracts to government agencies overseas should provide that such transport material may not be resold to private users or reexported to third countries.

(3) Surplus automotive stocks abroad remaining after the needs of (1) and (2) above have been filled should be offered first to the American maker, with a reasonable time being permitted in which the manufacturer might have his representatives or agents inspect the stock. If the American maker does not purchase the equipment it may then be offered for private sale but only under provision in disposal contracts that such supplies should not be reexported to a third country.

(4) That lend-lease or military shipments of automotive equipment to foreign territories should cease immediately an armistice is signed in any war theater and that every effort should be made to utilize all surplus lend-lease and military transport equipment by our own armed forces abroad.

(5) That military or lend-lease automotive supplies available as surplus in any military area abroad except as may be needed for relief and rehabilitation should be disposed of only at prices comparable to new open-market purchases.

(6) That surplus automotive equipment abroad, which has become useless for further service should be so disposed of under (1), (2), and (3) above, or junked, that it cannot be cannibalized for parts to be sold to either official or private motor vehicle users.

(7) That, preferably, any disposition to manufacturers of automotive surplus overseas should be by negotiated contract and in lots of such size that manufacturers, both small and large, may satisfactorily handle stocks offered to them.

It is recognized by the Overseas Automotive Club that the chief disposal difficulties will be encountered not in the liberated countries but rather in the areas (England, Australia, New Zealand, Brazil, etc.) from which military operations commence or where bases are located. However, the surplus in these military areas may be greatly reduced by redistribution to areas requiring relief and rehabilitation or by the use of our own armed forces.

The fact must be remembered that much of the automotive material and equipment that will be surplus overseas, will not be readily or economically useful in private operation, having been constructed under military rather than commercial requirements. This would indicate that much of it should be retained by our armed forces or sold to official agencies of our overseas allies, particularly the military, thus tending to reduce the difficulties.

OVERSEAS AUTOMOTIVE CLUB.

THE TRUNDLE ENGINEERING CO.,
Cleveland, Ohio, June 28, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

MY DEAR SENATOR MURRAY: Last week, while in Washington, I read in the Washington Post a short résumé of your talk before the New York Board of Trade.

Being quite familiar with the plants constructed by the Engineering Division of the War Department, I heartily agree with your statement that these facilities can be subdivided and most of them put into use in the manufacture of civilian goods.

It is going to take careful planning to get the best financial returns, and a sound sales plan to dispose of these subdivided units in an orderly way in cooperation with the business leaders in the communities in which the plants are located.

In order that industries who are making post-war plans for expansion and new locations to consider these facilities, it is necessary that the Government decide now which of the plants are to be retained and which are to be sold, and then make known to industry which facilities are for sale in part or as a whole, so that industry may purchase them now with the understanding that they cannot have possession until the war is over.

Industry cannot wait until the war is over to make plans. They must do it now. Most of the Government-owned facilities with which I am familiar will require some changes if they are to be used for civilian production.

The purchaser of any of these facilities can make his lay-out, incorporating such changes as are necessary, with the result that when the buildings are available, and material and labor are available for the production of civilian goods, he will be ready to go forward without any delay.

I have another thought in the matter of disposition of Government-owned facilities; that is that the selling price should be based on an accurate appraisal, taking into consideration a nominal depreciation per year based on the number of years the facilities have been in use.

The purchaser should be permitted to buy these facilities on a small or no down payment, with monthly payments extending over 10 to 20 years. This would avoid the necessity of a manufacturer's refinancing for the purchase of the facilities and make available his present finances for working capital.

It is my belief that the Government can get much better prices for these facilities if handled as suggested above.

Yours sincerely,

THE TRUNDLE ENGINEERING CO.,
GEO. T. TRUNDLE, Jr., *President.*

JULY 7, 1944.

ESSENTIALS FOR ECONOMIC DEMOBILIZATION

Submitted to Senate War Contracts Subcommittee on Record of Senator James E. Murray, Chairman, by People's Lobby, Inc., Benjamin C. Marsh, Executive Secretary, Washington, D. C.

The term "demobilization" is a misnomer.

It implies a scattering of productive facilities, and hence of employment, and a return to the wasteful and uneconomic "competition," with which we entered

the war, and a continuance of the partial use of productive facilities for war production, due to the determination of most major manufacturing corporations to retain their war advantages, and as much as possible of their war profits, in the struggle for post-war markets—domestic and foreign.

This is emphasized in the report Foreign Disposal of Surplus Property, submitted May 12, to Hon. Leo T. Crowley, Administrator, Foreign Economic Administration, by four leading industrialists—Messrs. H. D. Bennett, J. A. Donaldson, T. V. Houser, and Clark H. Minor.

They state and recommend (p. 47):

"It will be necessary in disposing of property to take account of the fact that other countries, and especially the United Kingdom and Canada, will be endeavoring to dispose of surpluses at the same time. * * *

"*Recommendation.*—That preparatory steps now be taken to keep within desirable limits intergovernmental competition in the sale of surpluses declared abroad."

Also (p. 2):

"The arrangements for the sale of surplus property abroad should be designed so as to minimize their tendency to discourage exports from this country."

These statements are amplified in detail in the report.

It emphasizes the necessity for complete coordination of domestic manufactured production—particularly of durable goods, to insure not major but full employment of employables.

Our post-war economy must be geared into a world economy, with domestic economies of major nations under complete government control.

Post-war trade will probably be operated either by State monopolies or by private (i. e., nonostensibly government controlled) cartels, indirectly or directly operated to further the international policies of major industrialized nations.

The Republican platform correctly states in its conclusion:

"The essential question at trial in this Nation is whether men can organize together in a highly industrialized society, succeed, and still be free.

"That is the essential question at trial throughout the world today."

The passing of American political platforms and promises is the unmentioned but most important factor in our political life today.

The party which wins this November will have to maintain or improve the living standards of nearly all of our people out of current income or pay the penalty of our training some 12,000,000 men and women to operate on the principle that force is the ultimate solver of economic problems.

Men cannot in a mechanized society be free in the old sense of individual aggrandisement and collective irresponsibility—they canont combine security, underwritten by government, with the privilege of doing that which is right in their own sight.

The committee of the United States Department of Agriculture recognized that fact in its report What Post-war Plan for Agriculture?:

"The agricultural production of the United States should be adjusted to national requirements with due regard for export demand and desirable imports."

This Government agency of long standing and created under a Republican Administration, does not use the term "demobilization," but calls for intelligent integration, under Government direction, of the Nation's agricultural production.

Such integration, under Government direction, but technician administration, is equally imperative for all nonagricultural production.

The only way to raise the standard of living of all Americans is such production as requires full employment and wages to permit purchase thereof out of current income.

Private planning cannot do this, not because of lack of capacity, but because no man can serve two masters—stockholders and consumers.

The emphasis being currently placed on unemployment insurance and the enactment of the G. I. bill attests this fact—and both will be futile unless there is continued full employment.

The Bausch & Lomb Optical Co. production director and controller, E. S. La Rose (New York Times, July 5, 1944), outlining his company's plan for production till 1950, states:

"Stabilizing production is most desirable as it reduces the cost of manufacturing. * * * Realism demands that business face the facts as they exist at the end of the war, and place its house in order."

Economic planning is derided as a Government function by many industrialists, but Mr. La Rose's statement indicates major opposition to Government planning is due to its threat of interference with maximum profits.

It was necessary for Government to determine the location of factories, plants, shipyards, etc., for the prosecution of the war.

The post-war years threaten us almost as much as war years, for there has never been question as to our capacity to produce and fight—the real issue has been whether we would produce and plan so we needn't fight.

The record for half a century under the private profit system is an unpugable negative.

It is just as necessary for Government to determine the location and use of factories, plants, shipyards, etc., after the war as during the war.

There cannot be intelligent planning for post-war housing or transportation, and only ineffective planning for schools and community amenities, till the location of all major manufacturing plants is determined.

Railroads will want them located far from raw material and coal—to increase freight traffic.

Three great automobile manufacturers—Ford, General Motors, and Chrysler—have agreed upon post-war production, and the distribution between them.

This indicates increasing appreciation of the necessity for planning, but does not cover the issue of economic location, nor price controls.

Nothing short of full Government direction of major production holds any hope for post-war America.

If this is arranged before the European war ends, much trouble will be avoided; if not arranged before the war in the Pacific ends, the results will be serious.

The four industrialists cited above recommend on Foreign Disposal of Surplus Property: "That a staff be established immediately to develop the plan of organization and procedures."

Such a staff is immediately imperative to develop the plan of organization and procedures for the utilization of America's productive plant to the fullest capacity, after the war.

There is no other road to permanent peace.

BRITISH INFORMATION SERVICES,
July 21, 1944.

DISPOSAL OF GOVERNMENT SURPLUS STORES

British White Paper on Post-war Action Published July 19, 1944

The White Paper is a short document, and does not attempt to do more than outline the main principles and administrative procedure to be adopted.

It is emphasized that planning at this stage must not in any way affect essential war activities; and, in fact, many of the problems raised by the whole question are left unsolved in the paper because of the impossibility at this time of foretelling what policies Britain and her Allies will adopt. It is accepted, however, that disposal must be orderly. In an earlier statement to the House of Commons on February 3, 1943, Mr. Dalton, President of the Board of Trade, said that at the end of the last war the Disposals Board had acted on the principle of selling as rapidly as possible at any price obtainable all Government stocks of goods. "I suggest," he said, "that this time we must neither drift nor be driven by short-sighted interests into getting rid, as quickly as possible by sales at any price to whoever will come forward to bid, of these large stocks, which will be greater than last time, of goods desirable and necessary for post-war purposes. We must on this occasion have an orderly disposal which will have regard, on the one hand, to the interests of consumers. We must not allow profiteering at the expense of consumers, particularly in consumers' goods. On the other hand, regard must be had to the interests of producers in the proper timing of these disposals in regard to stocks and current production."

The first paragraph of the White Paper states:

"This paper is issued in order to indicate the general lines on which the Government propose to proceed in disposing of surplus stores. The Government must however reserve liberty to develop and modify their policy in the light of experience and changing circumstances or in accordance with any international agreements which may be made. The Paper does not deal with the disposal of fixed assets such as land, buildings, and factories or with machine tools on which separate announcements will be made."

The chief proposals of the paper relating to manufactured civilian goods may be summarized as follows:

(1) The general principles of disposal are:

(*A*) that stocks shall be released at a rate which while fast enough to get the goods into consumers' hands when they are most wanted and to clear factory and storage space avoids upsetting production and flooding the market;

(*B*) that the goods shall in general be distributed through traders or manufacturers who normally handle such articles;

(*C*) that the prices to the final consumer shall be reasonable, that there shall be no profiteering and no unnecessary intermediaries.

(2) Disposal plans in accordance with these principles will be prepared in advance after consultation with the trades and industries affected for all the more important classes of articles likely to be surplus. Provisional and preliminary lists of probable surpluses have already been drawn up.

(3) Arrangements will be made where appropriate for the reconditioning of surplus articles and for giving them a distinguishing mark.

(4) For each class of goods the department which during the war has been most closely concerned with purchases, has been selected as the "Disposal Department." It will be responsible for assembling, sorting, and cataloging the goods and, when a sale has been arranged, for preparing and signing the contract and for the delivery of the goods. In most cases the Disposal Department will be the Ministry of Supply.

(5) Similarly, for each class of goods the department most closely associated with the production and distribution of similar goods for civilian use will be responsible for consulting with trades and industries concerned for deciding thereafter the methods of disposal and the rate of release, and for fixing prices and margins. The Board of Trade will carry out these functions for nearly all consumer goods, while the Ministry of Supply will do both jobs in the case of many capital goods.

As regards the disposal of United Kingdom Government stores abroad, and Dominion and Allied Government stores in the United Kingdom, the White Paper contains a final paragraph as follows:

"Arrangements set forth in earlier paragraphs of this paper are without prejudice to the settlement of any question that may arise in the disposal of stores received under lend-lease or mutual aid. Disposal of United Kingdom stores abroad and the possible disposal in this country of stores owned by Dominion or Allied Governments will raise questions which will require discussion with other governments. In the event of stores being disposed of in Britain, His Majesty's Government will request the governments concerned to make arrangements which conform to the principles set forth in this paper."

The paper states that it is not possible at present to indicate at what moment the goods in question will actually be available for disposal. "Should the war end in two stages substantial amounts of some stores may be released after an armistice in Europe, but in other classes of goods there may be no surplus at all until Japan is defeated. The present tabulation, therefore, is in no way final. It merely shows the range of commodities probably involved and thus provides a basis on which a plan for disposal may be prepared."

CHAMBER OF COMMERCE OF THE
UNITED STATES OF AMERICA,
Washington, August 14, 1944.

Surplus War Property Legislation

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee
of the Committee on Military Affairs,
United States Senate, Washington, D. C.

DEAR SIR: Your subcommittee is now considering surplus war property legislation, particularly S. 2045 and S. 2065, for the disposal of great Government-owned war plants and real estate no longer needed for purposes of national defense, and of vast quantities of surplus that will occur at the close of hostilities.

The Chamber of Commerce of the United States believes that a procedure of orderly and efficiently administered handling of war surpluses is the only one

which can be countenanced in contemplation of the huge magnitude of such surpluses and the great need that will exist for the prompt resumption of civilian production on an adequate scale to facilitate our transition from war to peace. These surpluses must be so demobilized as to preserve the stability and productivity of the national economy and avoid unnecessary interference with the maintenance of a high level of private employment.

In view of the foregoing considerations, the chamber attaches great importance to the content of the legislation to be enacted by Congress. The chamber has given long and careful consideration to the subject. Its recommendations were developed by a large and representative committee of business and industrial executives following many months of study and discussion.

Your attention is invited to the following recommendations.

ADMINISTRATIVE ORGANIZATION

The bills now before your committee would provide for a Surplus Property Administrator, and he would have general supervision and sole direction over the disposal of surplus property. There would be also a Surplus Property Advisory Board composed of representatives of designated Government departments and agencies. The sole purpose of this Board would be to consult with the Administrator.

Independent agency.

The chamber recommends that responsibility for (1) the interpretation of the policies laid down by Congress in the legislation, (2) the promulgation of procedures to be followed in disposal, and (3) general administrative action based upon these policies and procedures should be the responsibility of an agency outside of any executive department of the Government and responsible to Congress in the carrying out of the will of the Congress. The problems that will be confronted in surplus property disposal when hostilities cease will be so complex and have such far-reaching effects upon the domestic economy that nothing short of such an independent agency will meet the needs of the situation. The agency recommended by the chamber would be a commission of seven full-time members to be nominated by the President and approved by the Senate.

The importance of providing an independent commission to handle the disposal of surplus war property rather than a single administrator within the executive branch of the Government may be illustrated by reference to the problems that will arise in connection with the disposal of great Government-owned war plants. There will be hundreds of such plants, each of which cost the Government many millions of dollars. Pressure from any source for the utilization or disposal of a war plant in a manner which is not in accord with broad public interest must be resisted. Decision must rest upon the findings revealed by carefully prepared reports devoted to the economic and engineering factors involved. It is the belief of the chamber that an independent commission constituted as described is the agency which will give the best assurance of unbiased and competent decision.

The placing of the authority in an independent commission does not carry with it a requirement that every administrative decision must depend upon and await the affirmative vote of the seven members. In the execution of its functions as a policy-making body, the commission would act as a unit. With respect to the sale of the great war plants, the commission also would act as a unit. With respect to most administrative matters, however, the chairman would be authorized to act upon his own responsibility. He would be empowered also to delegate administrative authority through the designation of certain already-established Government departments as "disposal agencies."

Advisory board.

An advisory board to be composed of representatives of designated Government departments and agencies would not be a satisfactory substitute for the commission which the chamber recommends.

The members of such board would be officials concerned with the operating problems of their particular departments and thus, in most cases, out of intimate touch with the problems of industry and trade in a peacetime economy. Moreover, the department representatives would devote but a small part of their time to the matters laid before the advisory board. In short, there would be no assurance that such an advisory board would be composed of persons adequately equipped for the rendering of the sound advice that would be needed on the solution of difficult economic problems.

It is recognized, however, that there would be a place for such a board composed of representatives of Government departments. Such a board would serve a very useful purpose in connection with the establishment of administrative procedures.

Industry advisory committees.

The chamber recommends that specific industry advisory committees be authorized by the act of Congress to be appointed by the commission after consultation with each industry as to their composition. The act should specify that advisory committees must be truly representative of the recognized functions in production and distribution. Its members should be from large and small units with due recognition for geographic consideration.

In providing for advisory committees in the legislation, it would seem desirable to make provision similar, perhaps, to that contained in the Smaller War Plants Corporation Act of June 11, 1942, (56 Stat. 357) so that members of advisory committees in the exercise of the duties assigned them by the surplus property disposal agency would not be inhibited in the rendering of advice by fear of prosecution under the antitrust laws.

BASIC PRINCIPLES AND POLICIES

The chamber recommends that the legislation should establish basic principles and policies to guide the commission in the conduct of its operations.

Disposal of plants and real estate.

The law should require that decision be made at the earliest possible moment as to which plants and equipment, other facilities, and real estate must be retained for essential military purposes. The remainder should be earmarked for orderly demobilization to private industry, and such plants and other facilities as are not suitable for such disposal should be scrapped.

The disposal of plants and other facilities and real estate should be handled in such a manner as to encourage competitive efficiency on the part of private industry. In this disposal, the welfare both of the Nation and of the locality should be taken into consideration, but in no case should any particular locality or enterprise be subsidized or given any preferential advantage at the expense of taxpayers generally or in any other manner.

It will be a natural desire of communities and of their representatives in the Congress to preserve for those communities great Government-owned manufacturing plants, even though the Surplus War Property Commission may know that engineering and economic studies reveal that the preservation of such plants is not in the public interest. As stated heretofore, pressure from any source for the utilization or disposal of Government-owned war plants in a manner which is not in accord with broad public interest must be resisted. It is the belef of the chamber that an independent commission, constituted as described, is the agency which will give the best assurance of unbiased and competent decision.

Disposal of surplus supplies in the United States.

The chamber believes that the underlying objectives in the disposal of surplus war supplies that are located in the United States should be their economic use in this country, or their disposal abroad for the ultimate benefit of the American economy. This should be accomplished with a minimum disruption of production and trade and with the least practicable interference with normal employment.

Surplus supplies should be disposed of as rapidly as consumers demand such goods during the period which must elapse before normal production can be resumed. On the other hand, the sale of surplus supplies should not be pushed at a time when business generally is uncertain or declining. Such a course might induce or accentuate a depression.

Quantities of surplus supplies and materials released for sale should be in lots which will permit participation by small as well as by large manufacturers and retailers, and any price differentials between large and small lots should be limited to actual differences in cost of handling and distribution.

So far as practicable, surplus supplies and materials should be redistributed by the industry that produced and distributed them.

In seeking the attainment of these objectives the commission or its individual members should convene industry advisory committees from time to time; lay before the committees all the facts respecting the surplus supplies within the cognizance of the committees, including information as to grades, qualities, condition, and locations of the inventories; and solicit the advice of the committees on the manner and time or times of disposal.

These requirements might well be stated in the law because, as the chamber believes, the disposal of surplus supplies will then take place in the most orderly and effective manner with the least disturbance to production and trade and a minimum interference with employment.

Surplus supplies held abroad.

There will be special problems that will be confronted in connection with the disposal of surplus supplies and facilities which will be located in many places all over the world. The surpluses in question are those which are competitive with the products of the United States and not to supplies, notably raw materials, which have been bought for use in the United States.

The chamber recommends that the surplus-property legislation should specify that such surpluses be disposed of abroad so far as possible. In the disposition of such surpluses consideration should be given to the economic conditions in particular markets and to the interests and rights of American enterprise in the resumption of distribution through normal channels in the respective countries. Such surpluses disposed of abroad should be debarred from subsequent import into the United States.

Very truly yours,

T. W. HOWARD,
Secretary, Surplus War Property Committee.

ASSOCIATED EQUIPMENT DISTRIBUTORS,
Washington, D. C., August 14, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Military Affairs Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: Attached hereto is a copy of our resolution, as revised May 4, 1944, containing recommendations for the disposal of surplus Government-owned construction and road-building machinery. This resolution was prepared by our committee on disposal of Government surplus after obtaining an expression of views from distributors and manufacturers throughout the industry. It is presented to you for the consideration of your subcommittee relative to the bill to establish a Surplus War Property Administration and to provide for the proper disposal of surplus war property, S. 2065.

The bill S. 2065 contains many desirable features; however, we wish to emphasize our opposition to donating by the Federal Government of any construction and road-building machinery to any tax-supported agencies or institutions (non-Federal) under any circumstances. If the equipment has no commercial value or the estimated cost of handling, storage, and sale will exceed the estimated proceeds of commercial sale, we believe it should be scrapped through industry channels; i. e., those firms engaged in the junk business.

Consistent with paragraph 2 of our resolution, wherein it is recommended that surplus equipment be sold to tax-supported bodies (non-Federal) for maintenance purposes only, at prices which would enable the Government to secure a fair return, we are opposed to the provision in the bill which would permit the sale or lease of surplus property to States, political subdivisions, or tax-supported institutions at discounts not to exceed 50 percent of the sale or lease market value thereof, as the case may be. We are of the opinion that such sales should not be at prices less than the prevailing market prices.

The problem of surplus property disposal is of paramount importance to this industry and we sincerely appreciate this opportunity to submit our views on the legislation before your committee at this time.

With best wishes,

Very truly yours,

C. F. WINCHESTER,
Executive Secretary.

RESOLUTION—ASSOCIATED EQUIPMENT DISTRIBUTORS

Whereas certain departments and agencies of the Federal Government now own new and used construction and maintenance equipment that will become surplus when the war is over, and

Whereas this equipment has been obtained in a great many cases at prices lower than can be obtained in peace times, and

Whereas many other Federal departments and agencies have a need for such surplus equipment in their future activities and requirements, and

Whereas the Associated Equipment Distributors are interested in the disposal of such surplus equipment, first as taxpayers, and secondly as manufacturers and distributors, and

Whereas it is our desire that the Government realize the greatest possible revenue from the disposition of such Government-owned surplus equipment, and

Whereas the orderly disposition of such surplus equipment will favorably affect postwar employment, now, therefore, be it

Resolved, 1. That a recommendation be made to the appropriate Federal agencies that new and used surplus construction and maintenance equipment and parts now owned by certain Federal departments and agencies be first transferred to other Federal departments and agencies, for maintenance purposes only, in accordance with their anticipated needs for a 3- to 5-year period, and that adequate sets of parts be furnished with such equipment.

2. That surplus equipment that exists after supplying such Federal departments and agencies be then sold to tax-supported bodies (non-Federal), for maintenance purposes only, at prices which will enable the Government to secure a fair return.

3. That after such Federal departments and agencies and tax-supported bodies (non-federal) have been supplied with such equipment as they can absorb, the balance be disposed of through established trade channels by offering same for sale by bids, publicly opened and read, at a rate of disposal which will not unduly disrupt trade and commerce.

4. That the welfare of small business be protected by inviting bids on small lots segregated by types, trade names, and models.

5. That acquisition of large quantities of such property for speculative purposes should not be permitted.

6. That surpluses of construction and maintenance equipment held abroad that are competitive with products of the United States should be disposed of abroad as far as possible and should be debarred from subsequent import into the United States.

AMERICAN FARM BUREAU FEDERATION,
Washington, D. C., August 15, 1944.

Hon. JAMES E. MURRAY,
Chairman, Subcommittee of Senate Military Affairs Committee
Concerning Legislation Relating to the Disposal of War Surpluses,
United States Senate, Washington, D. C.

MY DEAR CHAIRMAN MURRAY: As I am unable to appear before your subcommittee, I wish to submit this statement concerning legislation relative to the disposal of war surpluses and to present some specific recommendations which I hope your committee will see fit to include in legislation on this subject.

On March 3, 1944, the board of directors of the American Farm Bureau Federation possed the following resolution dealing with this matter and other related problems with respect to post-war demobilization:

"We commend both the Baruch-Hancock report and the report of the George committee for taking progressive steps on a definite post-war demobilization plan.

"We favor the broad principles set forth in the George-Murray bill, S. 1730. However, in the interest of democratic procedure, we believe that the proposed National Demobilization Board should constitute the policy-determining body, over—rather than under—the Director, and should therefore be appointed by the President and confirmed by the Senate. Further, we believe that representatives of agriculture, industry, and labor should be included in the membership of this Board.

"In view of the certainty that the food emergency will continue after the end of the war, we vigorously recommend that farmers be given priority in obtaining surplus materials and equipment needed for production as long as the necessity for abnormal food production continues.

"We also believe that the disposal of surplus agricultural products should be assigned by the Board to the War Food Administrator; and that the disposal of any manufactured goods, housing, equipment, etc., which can be used advantageously by farmers, be handled in such a way as to assure farmers of equal opportunity with others to purchase such materials."

The American Farm Bureau Federation believes that Congress should assume active leadership during the demobilization period. The urgency of war necessitated the concentration of power in the executive branch of the Government. However, we feel that plans for the post-war period should be dominated by the elected representatives of the people. It is a real challenge to Congress to assume the active leadership and to steer our Nation through this very difficult and delicate period of adjustment. The farmer and the American people expect Congress to assume this leadership.

We believe that Congress should enact a series of legislation which would set forth the broad principles to be followed in all phases of demobilization.

In the enactment of legislation pertaining to the disposal of surplus Government property, it is important that provisions be made that will adequately protect the American farmer. In order that agriculture may receive full consideration in the disposal of surplus property, we submit the following recommendations:

1. The disposal of surplus agricultural products should be assigned to the War Food Administrator or the Secretary of Agriculture. The personnel of the Department of Agriculture has had experience in administering Federal programs in this field. We consider that this is very essential in order to avoid unnecessary delay and chaos in the disposal of agricultural products.

During the war period, agricultural production has been increased by about 32 percent, compared with an increase of around 10 percent during World War I. Military demands have necessitated the creation of huge stock piles of food materials. Plans should be developed very carefully to prevent these stock piles from being dumped on the market in a disorderly manner, and thus break the market price for agricultural products. As has been recently demonstrated with eggs, it does not take a large volume of surplus products to create a chaotic condition in the markets for farm products. At the close of World War I, the unwise handling of agricultural surpluses cost the farmers of this Nation billions of dollars. Most agricultural products are perishable and cannot be stored for a long period. This makes it very essential that plans be developed in advance to meet emergencies before they arise. The War Food Administrator should be instructed to consult with agricultural leaders on this problem and workable plans should be developed.

2. Farmers and bona fide farmers' cooperative associations should have priority in the purchase of machinery and trucks suitable for farm use. The disposal of any manufactured goods, housing, machinery, trucks, and other equipment which can be used advantageously by farmers should be handled in such a way as to assure farmers and farmers' cooperatives of equal opportunity with others to purchase such materials.

Any surplus equipment now in the hands of the military forces should be placed on the farms of the Nation immediately, and certainly at the cessation of hostilities, equipment should be placed on farms at the earliest possible moment. These supplies, placed on the farms of the Nation, can be making a real contribution to winning the peace, while our domestic economy is converting to normal peacetime production.

3. Many farms of the Nation have been converted into military camps. These lands should be returned to farming as soon as possible. We believe that the original owners of the land should be given first chance to purchase the land at the original sale price, adjusted for any damage or improvements. If, after a reasonable period of time, the original owners do not exercise their options, then the land should be sold at public sale in units of a size suitable for family-type farms in the respective regions.

4. We believe that local committees should be established in the areas where military camps and a large amount of military supplies are to be sold. These local committees should be made up of outstanding citizens, and act in an advisory capacity in coordinating the policies of the National Demobilization Board with the needs of the local community.

5. The farms of America are badly in need of better housing and building facilities. Plans should be developed for using buildings and building materials now in Army camps for the improvement of rural housing. Careful investigation should be made as to the advisability of moving some of the buildings on the Army camps to the surrounding farms. This should not be done on a relief basis, but on the basis of the best economic use of the military equipment.

6. In some quarters there has been considerable discussion in regard to establishing returning veterans on farms, particularly on land now held by the Government. We believe that the returning veterans are entitled to some special consideration for the heroic services they have performed. However, we believe that it would be doing them a disservice to place them on poor land or on farms too small to maintain a satisfactory standard of living. Neither should they be used as guinea pigs to promote socialistic land colonization schemes. Land resettlement schemes for veterans have not proven very satisfactory in the past. It is, therefore, urged that all such plans be scrutinized very carefully and confined to veterans who have had sufficient experience and who can locate on farms where they will have a reasonable opportunity to support themselves and their families. Such plans should also avoid excessive governmental supervision and bureaucracy.

7. The American Farm Bureau Federation has suggested that steps be taken to have the appropriate governmental agencies make research studies and develop plans for the disposal of military camps and equipment so as to be of the greatest service to surrounding communities and to the Nation. We recommend that a study be made of one or two military camps. The material on hand at the camp should be analyzed in the light of the needs of the surrounding community. For example, a plan should be developed for the disposal of the land so as to be of the greatest service to the community. The practicability of moving the buildings to surrounding farms should be investigated. The needs of the community for trucks, tractors, and the like, and the amount of such equipment available, should be compared. The practicability of using some of the medical facilities for a community hospital might be considered. In these studies it is our idea that committees of local citizens should be used in addition to trained investigators. If such plans were developed for one or two areas, they could be used as a guide in other parts of the Nation.

A national pattern should also be developed for the disposal of surplus war materials which cannot be utilized locally in the community. The advice of the national advisory committee representatives of agriculture, industry, and labor should be sought in working out these plans.

In conclusion, we respectfully urge that legislation incorporating the recommendations that we have made be enacted so as to assure an orderly disposition and maximum economic use of surplus Government property.

Respectfully yours,

EDW. A. O'NEAL, *President.*

NATIONAL STATIONERS ASSOCIATION

Gentlemen of the Senate Small Business Committee:

We appear here today in support of the philosophy contained in S. 2045, a proposal by Senator Johnson of Colorado.

In November 1943 we suggested a 5-year moratorium plan for the disposal of surplus war goods, and why. Let me quickly identify myself and my group. Without going into a vast survey, using a lot of paper and time and manpower—I give you some estimates.

I would say that over 90 percent of the people in my association employ less than 350 people. Out of that 90 percent I would say that 90 percent of that 90 percent employ less than 200 people, and out of that 90 percent I'd say that 90 percent employ less than 50 people. There are a heck of a lot of them that employ not more than 10 or 12 or 15, and some only 4 or 5.

Now why are we interested in a 5-year padlock or moratorium plan? In the first place, to give business a chance to get its breath. It will keep off the market a lot of Government specification stuff that almost inevitably, as after the last war, would get into the hands of speculators willing to gamble with businesss chances for recovery and with the national interest. It would get into the hands of aliens in this country, who seem to have a lot of money, who are buying up property and businesses at the present time, and it would get into the hands of people who have not been in the particular business before the war.

The average businessman of this country has done a magnificent job during this war. He certainly should not be put at a disadvantage of having a tremendous amount of stuff unloaded on the market at a time when he is trying to reestablish employment and at a time when he is trying to reestablish himself in his proper and legitimate place in the national economy.

We like this Johnson bill. Like everything else, I suppose if we had had it to write we might have had some different things in it, of course, and after we

got through we wouldn't be pleased with it, but we have a whale of a lot of faith in the Congress of the United States, and I judge that any bill of this kind that would be passed would make such administrator report to the Congress what he was doing and what was happening.

Secondly, this bill provides for a declaration of surplus property—which means an inventory. It provides that the agency shall make the fullest practical use of surplus property before they go into unnecessary commercial purchases. It provides for sale abroad—and I might say at that point that our friends in Canada in our business would prefer that it be not dumped in Canada. It provides for the immediate sale of perishable property. It provides for the holding up of disposition of durable property for 5 years, and with a proper usage by the agencies, a great deal of it ought to be used up in 5 years.

It seems to me that the proper exemptions have been made in the bill, and we think that the intent and purpose of this bill is more to the liking of the average businessman—and the average businessman is not a big businessman—we think that the intent and purpose of this bill is more to the liking of the average businessman than any other proposal that we have heard of.

We are not in favor of setting up some tremendous bureaucracy to handle this thing. We are not against a department handling it in the proper way, but if there is a 5-year moratorium there won't be the need for a tremendous bureaucracy being set up.

We think that a man, to buy any surplus property now or 5 years after the war, ought to meet two requirements: One, that he is a citizen of the United States, and the second, that where he is allowed to buy commodities, he must prove first that he was in that business definitely and legitimately before the war started.

The average businessman of this country is sick and tired of having somebody look at him, touch him on the head and say, "How's my little man today?"

This bill is understandable. I know it is understandable because right away people begin to talk about it. No bill is going to be perfect, but we feel that the philosophy and intent of this bill, S. 2045, is something that can be understood by the average businessman, sets up some sort of an insurance that he be not forced out of business by having to compete with a flood of surplus war goods when the war comes suddenly to an end.

We recommend S. 2045 to the committee.

Respectfully submitted,

CHAS. P. GARVIN, *General Manager.*

TEXT OF A LETTER ON EDUCATIONAL USES OF SURPLUS WAR PROPERTY, WHICH WAS ADDRESSED BY THE WAR CONTRACTS SUBCOMMITTEE TO EDUCATIONAL ORGANIZATIONS

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
August 1944.

When the war is over, the Government will own a vast amount of property originally acquired for war needs but no longer needed for such purposes. Among this property will be large quantities of office equipment, motor vehicles, aeronautical supplies, electronic devices, special educational apparatus, land, buildings and many other items that might be useful for educational activities. In fact, as a result of shifting war requirements and of curtailments in war production, an increasing volume of such property is already in the hands of the Government.

The War Contracts Subcommittee, which now has before it a number of bills dealing with the utilization and disposition of war surpluses, is vitally interested in the procedures and policies which should govern the utilization and commercial disposition of this property. Accordingly, I should greatly appreciate any suggestions that you may have to offer concerning the educational uses to which such property could be advantageously put. It would be particularly helpful if you could give me your views, or those of your organization, on the following specific questions:

(1) Which, in your opinion, are the types of surplus property that are most likely to be useful in educational activities? What Federal Government agencies will be in possession of those classes of property?

(2) To what extent can the Federal agencies in possession of such surplus property participate in programs involving the utilization of such property for educational purposes?

(3) Should unified responsibility for the disposal of surplus property to educational uses be vested in a single Federal agency, such as the Office of Education? Should Congress authorize the transfer to such an agency of the surplus property that could be devoted to educational activities?

(4) If a single Federal agency is authorized to hold surplus property susceptible of educational uses:

(*a*) To what extent should that agency use the property directly in its own operations?

(*b*) To what extent should that agency distribute the property among educational agencies and institutions?

(5) What policies should be followed by the Federal agency in distributing surplus property among educational institutions?

(*a*) What should be the purposes of such distribution: To assist in developing educational activities in "backward areas"? To promote research? etc.

(*b*) To what extent should distribution be handled through State government agencies? Which ones?

(*c*) On what terms should the property be distributed? Should educational users pay current market prices for such property? If not, what will be the basis for and character of the price policy with respect to such property?

(*d*) Under what conditions and terms should educational institutions acquire equipment which has been changed in design or is obsolete?

(*e*) What conditions should be laid down with regard to maintenance or use? With regard to resale? With regard to recapture by the Government?

(6) Property which is susceptible of educational use can also be sold commercially, or can be utilized in connection with other public programs. How shall the determination be made as to the volume and type of property which will be acquired for educational use, as contrasted with those which will be devoted to other public uses or disposed of commercially?

(*a*) Should the surplus property acquired by the Federal agency in charge of the educational program be limited by the amount of appropriated funds available to that agency for such acquisition?

(*b*) Should the transfer of surplus property to that agency without a charge against appropriated funds be authorized by Congress?

(*c*) In either event, should the Federal educational agency be given the opportunity to satisfy the full needs of the Federal Educational program before the property is allocated to commercial disposition?

(*d*) Should an over-all Federal administrator be given authority to determine the allocation of surplus properties as between (i) educational uses, (ii) other public uses, and (iii) commercial disposition?

It would facilitate the subcommittee's consideration of this subject if your views could be submitted within the next 2 weeks.

Sincerely yours,

JAMES E. MURRAY, *Chairman,*
War Contracts Subcommittee.

REPLIES TO SUBCOMMITTEE'S LETTER ADDRESSED TO EDUCATIONAL ORGANIZATIONS

REPLIES FROM NATIONAL ORGANIZATIONS

The following are replies to the questions proposed by Senator James E. Murray, in his letter of August 5, 1944, addressed to Very Reverend Thomas J. Shields, S. J., Jesuit Educational Association, New Orleans, La.

(1) All types of laboratory equipment for all types of laboratories. All types of clinical equipment for all types of university and college clinics. All types of classroom and office equipment and supplies. Air-cooling systems, including electric fans. Probably the majority of textbooks. All types of athletic equipment for field and gymnasium. Electrical fixtures. Machines for use in maintenance department. Trucks, automobiles, station wagons, busses. Cafeteria equipment,

vermin-exterminating materials. Building materials and materials for repairs and remodeling of buildings and stadiums.

(2) Compile a manual of all available surplus materials, with prices listed for each type of material, and send a copy of the manual to every educational agency and institution. Suggesting to the educational agency and institution the best methods for obtaining the materials desired, the best means of shipment, the places nearest to the inquiring agency or institution from which the desired materials could be shipped.

(3) The agencies now in possession of the surplus properties should be responsible for the disposal of these properties at sale and Congress should authorize each such agency for such disposal.

(4) (*a*) To the extent that is necessary for it to carry on its work, but it should pay the same prices for all material used that are charged to educational institutions or other purchasers for those same types of property.

(*b*) To an unlimited extent, but on a fair and equitable basis whereby all educational agencies and institutions will be allowed equal opportunity to participate in the purchasing at the same prices for all agencies and institutions purchasing the same type of material.

(5) (*a*) To replenish depleted stocks and to replace deteriorated equipment in all areas and at all educational levels.

(*b*) Negotiations should be direct between the purchaser and the agency in possession of the surplus property that is desired by the purchaser.

(*c*) At current market prices for new or unused material and at current market prices for second-hand material, respectively.

(*d*) At whatever prices the market will carry for that type of material.

(*e*) Once an educational agency or institution has purchased the property the Federal Government and Federal agencies should have nothing whatever to say about what the purchaser does with the property purchased.

(6) (*a*) (*b*) (*c*) (*d*) (*e*) Put the entire surplus property on the open market, allowing everyone equal opportunity to purchase the properties at the current market prices.

AMERICAN ASSOCIATION OF INSTRUCTORS OF THE BLIND,
Lansing, Mich., August 15, 1944.

Mr. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee Committee on Military Affairs,
United States Senate, Washington, D. C.

DEAR MR. MURRAY: I have tried to give your letter of August 4, concerning the distribution of surplus properties, my best thought, and I am of the opinion that the American Association of Instructors of the Blind would endorse the following policies:

1. The United States Office of Education should be the designating office for distributing such properties.

2. All institutions supported by public funds, i. e., schools for the deaf, blind, crippled, etc., should be made permanent loans of such equipment as they can use to rehabilitate their charges. However, the agencies rehabilitating blinded and disabled soldiers should have first choice of equipment.

3. "Backward areas" should be assisted by their school systems in acquiring the balance of the properties to extend their needs either by loan or gift.

4. If then property still remains, resale to other agencies could be made under regulations which would be fair and equitable to wholesalers and manufacturers of similar equipment.

It is my feeling that this property which has been paid for once by public funds should not be paid for again by public funds, when it can be used in tax supported institutions for the benefit of the people.

The United States Office of Education has facilities for contact with all types of educational institutions and rehabilitation agencies, and it would seem that this department could handle such a problem to the satisfaction of all concerned.

Thanking you for your inquiry and the compliment to our association, I am

Very sincerely yours,

JOSEF G. CAUFFMAN,
Secretary-Treasurer.

THE NATIONAL ASSOCIATION OF BIOLOGY TEACHERS,
Royal Oak, Mich., August 17, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR MR. MURRAY: Thank you for the invitation to express myself regarding the disposal of surplus war supplies. The following are my opinions on the six questions suggested.

1. The property most likely to be useful in educational activities are microscopes, telescopes, electronic, radios, office equipment, school busses, chemicals, precision instruments for physics classes.

2. The Federal agencies can make the material available to the schools of the Nation.

3. The responsibility for disposal of surplus property to schools should be vested in the United States Office of Education, and Congress should authorize the transfer of property that could be used in education.

4. (*a*) The Office of Education should use just the office equipment needed for the additional help needed for this task.

(*b*) The property should be distributed to schools that desire it and can use it effectively.

5. (*a*) The purpose of such distribution should be to assist backward areas, to promote research, and to promote general education where needed for such property is shown.

(*b*) This is United States property, and I believe it should be distributed by a Federal agency. State government agencies would likely cause duplication of effort, thus increasing the cost of distribution.

(*c*) Educational users should not pay the market price; I would say half the market price would be nearer right.

(*d*) Equipment that has been changed in design or is obsolete should be free to schools that can use it.

(*e*) I would make this transfer of property absolute, with no strings as to upkeep, resale, or recapture by the Government.

6. The property should be transferred by Congress to the agency without charge against appropriated funds.

(*c*) Regarding the opportunity to satisfy the full needs of the Federal educational program before the property is allocated to commercial disposition, I think it depends on their program. If it is in harmony with the public schools, I would say "Yes."

(*d*) I do not like the idea of setting up another Federal agency to allocate the surplus property. We have too many Federal agencies now. (Surely there must be some branch of the Government or a committee could be set up to handle this important matter without creating another Federal agency.)

I have not had the opportunity to discuss this with my colleagues, so the above represents Mrs. Russell's and my own opinions.

If I can be of further help feel free to call on me.

Sincerely yours,

M. A. RUSSELL,
Secretary-Treasurer.

INLAND EMPIRE EDUCATION ASSOCIATION,
Spokane, Wash, August 18, 1944.

JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, Washington, D. C.

DEAR MR. MURRAY: Reply to yours of August 5 regarding surplus supplies and equipment.

1. Audiovisual equipment; radio equipment; busses and trucks; auto mechanics' equipment, tools, parts; aviation mechanics' equipment, tools, parts; photographic equipment and materials; building and plant maintenance, tools, equipment and supplies; etc., etc.

2. Probably not very effectively.

3. United States Office of Education by all means.

4. (*a*) As needed. (*b*) As much as possible.

5. (*a*) On an "equalization" basis, though some distribution should reach all areas. (*b*) Through State offices of education only. (*c*) Where distributed to

public schools and institutions should be at no cost. School revenues have not increased. Schools have had to go without necesasry materials, because of the necessity of deploying larger percentages of income into salaries. (*d*) On the same basis, if the equipment is still serviceable. (*e*) Resale should be prohibited, but exchange through proper channels would be desirable in many instances.

6. (*a*) All public agencies should have the privilege of participating in distribution, dependent upon demonstrated need and financial limitation. (*b*) Yes. (*c*) Yes. (*d*) Yes.

These are my own opinions only. I have had no opportunity to confer with the executive committee.

Very truly yours,

JOHN M. BOOTH, *President.*

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Washington, D. C., August 19, 1944.

Hon. JAMES E. MURRAY,
Chairman War Contract Subcommittee,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: Your letter of August 4 has been turned over to me in Dr. McHale's absence.

The American Association of University Women has not taken an official position on disposal of surplus property, and therefore, I cannot speak for the organization. As an economist and a former assistant professor at Vassar College, however, I hope my personal view will be helpful.

Federal legislation on disposal of surplus property should contain explicit provisions to guarantee that top priority is given to the needs of educational and other social services. As was indicated in the Baruch report, a positive program is needed for quick conversion of education back to a peacetime program, if the future is not to be devoid of many of the educated and trained people essential to our continued progress. It is obvious that satisfactory educational and training programs cannot be carried on without adequate equipment. The war period has resulted in a rate of deterioration without precedent in the history of public education, partly because of the effort made by the schools in training 9,000,000 workers for war jobs, and partly because the war has prevented normal replacements. Limited financial resources will make it impossible to fulfill basic needs for equipment. The gap between what schools can afford and what they need is rapidly widening, and is a serious threat both to the individual welfare of American youth, and to the general welfare of the future.

Since the surplus property has already been purchased by the taxpayers of the Nation, it would be an unfair and disadvantageous method of effecting a slight potential reduction in the total national debt to expect the taxpayers to purchase this property again. In view of this consideration, and others already mentioned, the following priorties are recommended for the disposal of surplus property:

1. Allocation without cost to public educational institutions—

(*a*) Property now being used by State or local educational institutions but with title vested in the Federal Government.

(*b*) Property now being used by Federal agencies for educational purposes.

2. Allocation, without cost, of surpluses that cannot or should not be offered for sale, for any reason, to State and local tax-supported organizations, including educational institutions.

For the administration of the disposal of these properties, it is recommended that they be transferred to the United States Office of Education for allocation without costs to the States, on the priniciple of demonstrated need. In addition, however, production, employment, and the normal flow of trade between schools and industry must be safeguarded. If surpluses should be used to decrease educational expenditures, the effect would be to reduce production and emp'oyment. This undesirable effect, however, can be avoided if a school which receives surpluses is required to present substantial evidence as determined by past experience, that its budget will result in normal expenditures, and that the surpluses will represent additional supplies above normal purchases.

The surplus items which are likely to exist at the end of the war, and which would be of most direct use in the field of education, include desks, chairs, blackboards, textbooks and library books, chemicals for chemistry laboratories, experimental equipment for physics laboratories, film projectors and other movie equipment, duplicating machines, first-aid equipment, shop equipment, such as lathes, saws, and supplies employed in teaching welding and metal trades, electrodynamics, automobile mechanics, radio, food processing, etc. Transportation equipment would also be extremely useful since the school bus fleet of the Nation is rapidly reaching the end of its usefulness. Commerce classrooms are filled with typewriters that badly need general repair. All of these items have probably been acquired by the armed services for immediate instructional service, and under the terms of the priority system suggested above, should be turned over without cost, to public educational institutions. Similar items, however, which were employed under actual combat conditions, would have equally direct and important applications.

The educational use of surplus properties has far-reaching implications involving the welfare and progress of the Nation, and of citizens in every State in the Nation. It will greatly benefit our country in the development of adequate training programs and at the same time, will aid the Government in disposing of surplus property without disrupting normal trade.

Sincerely,

Dr. MAXINE SWEEZY,
Associate in Social Studies.

AMERICAN ASSOCIATION OF DENTAL SCHOOLS,
August 21, 1944.

1. Which, in your opinion, are the types of surplus property that are most likely to be useful in educational activities? What Federal Government agencies will be in possession of those classes of property?

Office equipment, special educational apparatus such as projectors, both slide and motion-picture, dental chairs, units, dental engines, and X-ray machines. Very probably, the things most needed in dental schools will be in the hands of the Army and Navy medical divisions.

2. To what extent can the Federal agencies in possession of such surplus property participate in programs involving the utilization of such property for educational purposes?

By making the surplus property available to the educational institutions.

3. Should unified responsibility for the disposal of surplus property to educational uses be vested in a single Federal agency, such as the Office of Education? Should Congress authorize the transfer to such an agency of the surplus property that could be devoted to educational activities?

(*a*) Yes. It would simplify the matter of transfer of material considerably by having only one agency with which to deal.

(*b*) Yes. If necessary, Congress should authorize such transfer so as to centralize educational material in one agency.

4. If a single Federal agency is authorized to hold surplus property susceptible of educational uses:

(*a*) To what extent should that agency use the property directly in its own operations?

(*b*) To what extent should that agency distribute the property among educational agencies and institutions?

(*a*) To any extent needed within reason. For example, if the Office of Education is in need of equipment it should take what it needs rather than to dispose of material, then buy more at first prices.

(*b*) It should be distributed equally amongst the institutions requesting material and in accordance with their varying needs.

5. What policies should be followed by the Federal agency in distributing surplus property among educational institutions?

(*a*) What should be the purposes of such distribution: To assist in developing educational activities in backward areas? To promote research?

(*b*) To what extent should distribution be handled through State government agencies? Which ones?

(c) On what terms should the property be distributed? Should educational users pay current market prices for such property? If not, what will be the basis for and character of the price policy with respect to such property?

(d) Under what conditions and terms should educational institutions acquire equipment which has been changed in design or is obsolete?

(e) What conditions should be laid down with regard to maintenance or use? With regard to recapture by the Government?

(a) More material will be held by the agency than would be needed in backward areas. The policy undoubtedly should be to dispose of the material in terms of expressed needs by the various institutions.

(b) The material should be handled directly by the Federal agency, thus decreasing the need for further salaried employees.

(c) The material should be sold on the basis of an appraised price. It presumably would be a considerable discount over the market price.

(d) If, in the opinion of the institution the changed design is usable, then it should be sold at an appraised price.

(e) It should be an outright sale with full title passing to the purchaser.

6. Property which is susceptible of educational use can also be sold commecially, or can be utilized in connection with other public programs. How shall the determination be made as to the volume and type of property which will be acquired for educational use, as contrasted with those which will be devoted to other public uses or disposed of commercially?

(a) Should the surplus property acquired by the Federal agency in charge of the educational program be limited by the amount of appropriated funds available to that agency for such acquisition?

(b) Should the transfer of surplus property to that agency, without a charge against appropriated funds, be authorized by Congress?

(c) In either event, should the Federal educational agency be given the opportunity to satisfy the full needs of the Federal educational program before the property is allocated to commercial disposition?

(d) Should an over-all Federal administrator be given authority to determine the allocation of surplus properties as between educational uses, other public uses, and commercial disposition?

Educational institutions should have the first opportunity to purchase educational material without competing with commercial interests. Public programs of the Government or of charitable nature should be in a similar category with educational institutions.

(a) No. The agency should be charged only for that portion retained for its usage. The balance for resale could be carried as an inventory to be accounted for.

(b) Not unless congressional authorization is necessary to carry out plan suggested in (a).

(c) Yes. Since the Government has purchased the material once, let the agency keep what it actually needs, charging that agency for it and giving credit to the agency from which the transfer is made.

(d) Someone must have charge of the program and he should be a person familiar with educational needs and not an appointment of political expediency.

CARL O. FLAGSTAD, *Secretary-Treasurer.*

ASSOCIATION OF BUSINESS OFFICERS IN SCHOOLS FOR NEGROES,
Washington, D. C., August 21, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, United States Senate,
Washington, D. C.

SIR: Following receipt of your letter of August 4, I have communicated with the members of our association and have had to this time replies from many of them. Due to the urgency of this matter, I am writing you the wishes of those members whose replies have been received and will be glad to make available to you at a later date, if necessary, any additional information that may be applicable to your inquiry.

A list of the institutions, members of our association of business officers, together with the names of the president and business manager of these institutions, is attached. If you think that your needs require this, and that the time will allow, I am making the suggestion that a group of four or five of the presidents of these institutions be given the opportunity to meet with your committee. You would get a much more accurate and complete picture of the needs of the schools for Negroes if your committee would listen to a group of the chief administrative officers of these institutions. There are within 150 miles of Washington about 11 of our member institutions. While this is the vacation season, I am sure that, with a few days' notice, 5 or 6 of the presidents of these institutions would come to Washington to meet with your committee and discuss this subject in person.

Meantime, I am answering your letter on behalf of this association as follows:

1. The types of surplus property that are most likely to be used in educational activities include, among other things, the following:

(a) Equipment in industrial and engineering training, including agriculture.

(b) Material and equipment for laboratory teaching in the fine arts—books.

(c) Laboratory glassware supplies and equipment used in the science laboratories—chemistry, physics, biology, etc.

(d) Photographic equipment.

(e) Visual education equipment.

(f) Trucks, tractors, power-generator equipment, including equipment for power plants and heating plants, plumbing supplies, and materials.

(g) Office equipment, including office machines.

(h) Printing and duplicating equipment.

(i) Equipment for the laundry, for hospitals, dental chairs and equipment, hospital beds and the like, bookstore, dining hall and kitchen equipment.

Two of the schools have mentioned the need for complete heating plants.

The War and Navy Departments and their allied agencies for the most part are in possession of these classes of property.

2. It is not believed that the Federal agencies now in possession of such surplus property, as for instance the War and Navy Departments, could participate directly in a program involving the utilization of such property for educational purposes.

3. There should be a unified responsibility for the disposal of surplus property for educational uses vested in a single Federal agency and Congress should authorize the transfer of property to such a Federal agency for disposal to educational institutions. The United States Office of Education might be best qualified to set up an organization to do this. It is probable that the needs of the institutions throughout the country are best known to the Office of Education at the present time.

4. If a single Federal agency is authorized to handle surplus property susceptible of educational uses:

(a) Such a small part of the property, as, for instance, office equipment, could be used to the extent needed for this purpose by this agency during the time that its work is being done;

(b) The central agency should have the responsibility to test the needs of the educational institutions that request this equipment and distribute the property under a system of priorities, or comparison of actual known needs. The purpose would be to see that the property is actually put to a useful educational purpose.

5. Among other policies to be followed by the Federal agency in distributing the surplus property among educational institutions:

(a) Determination of actual need would cause the distribution to assist in developing educational activities in backward areas. The first purpose would seem to be for direct teaching purposes; a second possibility to increase and enlarge physical teaching facilities, as for instance, the installation of the heating plant. The third purpose would be the promotion of research and similar activities in educational institutions. The inadequate hospital facilities in certain areas served by the Negro schools should cause a large amount of this surplus property to find a useful purpose.

(b) The distribution should be in charge of a single Federal agency with overall responsibility for direct contacts with these educational institutions rather than to allot the property to any State agency. This is an urgent request of the members of our association. Should the distibution be allotted to the State governmental agencies, differentials of policy can be established which would cause institutions in certain areas to receive more favorable consideration, which

might result in unfairness toward institutions that are most in need of such surplus equipment.

(c) It is the belief of the majority of our membership that surplus property once allocated to educational uses should be distributed to institutions supported directly by the taxpayers or operated other than for profit, without cost to the institution. This is for the reason that such institutions put the property directly into use for the benefit of the taxpayers without profit to the institution, as in the case of the commercial sale of such property. The taxpayers themselves support these institutions directly or indirectly, and have already paid for this property. The institutions in our membership, without exception, are operating on limited budgets for students who have inadequate resources for their education.

If questions of policy require that a charge be attached to this surplus property—

i. The charge should be nominal or just sufficient to indicate an actual need rather than a wish; and

ii. The institution should be allowed to pay for the property in deferred annual payments, for instance, over a period of 10 years. This last suggestion is made in order that the institution may avail itself of property actually needed at the moment the property is available before a so-called surplus is transferred from educational allotment to commercial sale. Unless some such condition is attached, a school that actually needs $20,000 of such surplus property may be able to avail itself, from its current annual appropriation, of only $2.000 worth of this particular property in the particular year in which the property is declared surplus. The remaining $18,000 of surplus property would be turned over to some commercial salvage concern, in position to borrow the money to finance the purchase and sell and resell the property over a period of years at a profit, perhaps to the same educational institution that has no more than $2,000 in any one year available for such teaching needs. A little consideration will indicate that the educational institution operating without the opportunity for a sale and a profit, and limited in its borrowing capacity is different from the commercial concern that can finance its operation over a period of years by sale with a profit, borrowing to restock and sell again with another profit.

(d) The conditions and terms for educational institutions are set out perhaps inadequately in the paragraph above. Considerable equipment that is obsolete or changed in design, like an airplane engine or a Diesel motor, is still first-class equipment for teaching purposes.

(e) Educational institutions that acquire this property under conditions different from a commercial concern would be required to maintain the property, keep it in use or release it to the central Federal agency for reallocation and should not be allowed to resell any of the property.

6. There will be such a large volume of surplus property when the war is over that it can not be possible that needs for educational purposes will deprive the public of any amount needed for commercial purposes. Following the last war, such property was being disposed of over a period of 6, 8, or 10 years after the war had ended. There will undoubtedly be a much larger volume of surplus material at the end of this war.

(a) The surplus property needed for educational purposes should be turned over to the Federal agency in charge of the disposition to educational institutions without limit as to appropriated funds;

(b) This transfer without funds should be authorized by Congress;

(c) The full needs of the educational institutions should be satisfied before any of this particular property should be reallocated to commercial disposition;

(d) There will have to be a central point or agency responsible for determination of the allocation of surplus property as between (i) educational uses, (ii) other public uses, and (iii) commercial disposition.

These allocations should be made by a central responsible Federal agency rather than on any decentralized basis. The central responsible agency should be one that can have an understanding of educational purposes and work in cooperation with such understanding.

Respectfully,

V. D. JOHNSTON, *Secretary.*

THE EDUCATIONAL BUYERS ASSOCIATION,
New York, N. Y., August 21, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcomittee,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: Your letter of August 5 addressed to Mr. C. L. Hough, Jr., 45 Astor Place, New York, has been referred to me because Mr. Hough is in the United States Navy, hence the delay in answering it.

You have asked many questions which would require some sampling of member opinion which we cannot do since you require an answer in 2 weeks from the date of your letter and the time is now up.

There are now about 470 colleges and universities among our membership, some of which we should contact before attempting to give you definite answers to the questions put. I wish to assure you, however, that this association should be glad to copperate with and to assist you in any way it can in formulating plans for disposing of surplus properties. To that end I should be glad to have the association represented at one or more of your conferences.

Whatever plan is finally adopted, we should like to urge you to see that (*a*) endowed and tax-supported institutions be treated on the same basis, and (*b*) that any Federal bureau not experienced in the markets be not permitted to do more than advise in the matter of surplus property allotted to educationo.

Please feel free to command the assistance of this association if you feel it can be of some help in disposing of surplus properties to the educational institutions of the country.

Yours very truly,

G. H. MEW, *Treasurer and Business Manager.*

DEPARTMENT OF CLASSROOM TEACHERS,
NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES,
Phoenix, Ariz., August 21, 1944.

Hon. JAMES E. MURRAY,
Committee on Military Affairs,
United States Senate, Washington, D. C.

DEAR SIR: In reply to your letter of August 17 with regard to the disposal of war surpluses, I should like to make the following recommendations:

1. That all properties and materials suitable for use in the public schools and colleges be turned over to the Commissioner of Education of the United States. The following list is suggestive, but not exhaustive: Beds, motor vehicles, typewriters, vistual education apparatus, scientific apparatus, boats, obsolete planes, engines, and even buildings and grounds.

2. That the United States Commisisoner of Education allocate these properties to the State boards of education in the various States on the basis of (*a*) school population, (*b*) need, and (*c*) special adaptation, e. g., boats for a State with many lakes and rivers.

3. That the school to which an item is allocated by the State board of education be required to pay only the cost of crating and transportation of the item.

I appreciate the honor to be asked for my opinion on this important matter.

Very truly yours.

ROBERT J. HANNELLY,
Southwestern Director.

THE AMERICAN COUNCIL ON PHARMACEUTICAL EDUCATION,
Baltimore, Md., August 21, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate Committee on Military Affairs,
Washington, D. C.

DEAR MR. MURRAY: In response to your inquiry of the 4th instant, addressed to the secretary of the American Council on Pharmaceutical Education, Inc., you are informed that it is the opinion of this organization that—

1. The types of surplus property which are most likely to be useful in educational activities are projection apparatus, films, and other materials for visual education, laboratory supplies and equipment, office furniture, such as desks and files, etc.

The Federal Government agencies likely to be in possession of these classes of property are the military services and the temporary research agencies which

have been set up to conduct investigations and researches to speed up the progress of the war.

2. The Federal agency in possession of such surplus property can best participate in the programs involving the utilization of such property by turning it over to the existing educational institutions.

3. It is our opinion that the disposal of this surplus property for educational uses can best be accomplished by setting up some agency through which all material of this character can be cleared and distributed in existing educational institutions.

Congress should authorize the transfer of all surplus property of this character to such agency.

4. (*a*) If an agency of the foregoing character is set up, none of the property handled by it should be used directly in its own operations; provided, however, that such property may be used in its own operations when it is of such a character that existing educational institutions cannot make use of it.

(*b*) This property should be distributed to established educational institutions in the extent to which the need for it is established.

5. (*a*) The purpose of such distribution should be to assist established educational institutions to give instruction to returning ex-servicemen, to promote graduate study and research.

(*c*) For property which has been used, a nominal charge only should be made. Property which has not been used and has not been damaged or has not deteriorated by storage should be disposed of at or near current market prices, unless such property is obsolete, when it should be placed in the first category.

6. (*b*) The transfer of surplus property to the clearing agency should be made without charge against appropriated funds to be authorized by Congress.

(*c*) The Federal educational agency should be given the opportunity to satisfy the needs of the Federal educational program before the property is otherwise disposed of, provided that this shall not be construed to mean a great expansion of the Federal educational program.

(*d*) That an over-all Federal administrator be given the authority to determine the allocation of surplus properties as between (1) educational uses, (2) other public uses, and (3) commercial disposition.

Sincerely yours,

A. G. DuMez, *Secretary.*

Jesuit Educational Association,
New York, N. Y., August 23, 1944.

Hon. James E. Murray,
Senate Office Building, Washington, D. C.

Dear Senator Murray: Thank you very much for your telegram of August 21, 1944, in answer to my night letter of August 18, 1944. As I promised I am hereby giving more detailed answers to the questions you asked in your letter of August 5.

1. Since the activities of elementary and secondary schools and institutions of higher learning are so varied it would be impossible for me to list all the types of surplus property that would be useful to educational institutions. However, the following types naturally suggest themselves: All types of office furniture and equipment, school supplies, scientific equipment and supplies, a certain amount of medical and first-aid supplies, physical education and athletic equipment, kitchen and cafeteria equipment, etc. It is quite possible too that some educational institutions might be interested in buildings located near their campuses.

2. This question could be better answered by the Government agencies themselves and will depend largely on the post-war activity of these agencies. It is to be hoped that programs of a strictly educational nature will be left to State and local educational agencies to whose control they have always been left in accordance with the American tradition.

3. It appears to me that in the interest of a unified policy it would be well if responsibility for disposal of surplus property for educational uses were vested in a single Federal agency provided certain general principles or guiding norms were laid down by Congress so that no group of tax-free educational institutions would be given unfair preference over any other group. Since all tax-free educational institutions, whether they be publicly or privately controlled, are doing a public service for the good of the Nation they should be given an equal opportunity to secure surplus goods that will assist them in doing this work. It has been made abundantly clear on more than one occasion that privately controlled education save taxpayers tremendous sums. By giving these institutions equal opportunity to secure surplus war commodities no injuistice is done, and the taxpayer ultimately profits.

4. (*a*) I would suppose that the direct needs of Federal agencies for such property would be met before State and local needs are thought of.

(*b*) The distribution of property among educational agencies and institutions might be more adequately taken care of through State agencies.

5. The general policy should be to assist educational institutions in the work they are doing which, as stated above, is a public service.

(*a*) While such formulas as "assisting backward areas," "helping to promote research," naturally commend themselves, they should by no means be used to restrict distribution of such activities. All educational activity is a public service; all educational activity has been a powerful influence in the general war effort. No formulas therefore should be used to single out areas or agencies in such a way as to put others at a disadvantage.

(*b*) State educational agencies are in a better position than Federal ones to know education's needs. But a word of warning is in place here. Many States have provisions in their constitutions which prohibit the use of State funds for private or denominational educational activities. Federal regulations therefore should be so worded that such State regulations may not be cited as a reason for denying to privately controlled educational institutions the right to secure the surplus war commodities in question.

(*c*) Property should be sold to educational institutions at considerably reduced prices.

(*d*) If the changed design or obsolete character of the property renders it practically useless, or at least reduces its market value to a minimum, I would think that such property should be sold at a very nominal fee, with transportation costs to be paid by purchaser.

(*e*) Since under (*c*) I advocated the sale of such property the only conditions would be that the sale be made to a bona fide educational institution and that the property be used for the general educational purposes of the institution.

6. Educational institutions and agencies should be given first choice in the purchase of such properties.

(*a*) No. The agency is merely an agent for disposing of the property.

(*b*) Answer implied in (*a*).

(*c*) Yes.

(*d*) Probably yes, but educational institutions should be given preference.

I trust that these answers will be of some assistance to your committee in deciding the thorny problem of distribution of surplus war materials. May I add, by way of conclusion, one or two observations that seem to me to justify the position of preference I would give to educational institutions in this whole matter of distribution of surplus war materials? I have emphasized more than once the fact that education, both public and private, does a public service. This fact must never be forgotten. Another point—educational institutions, particularly colleges and universities, have been called upon during the war to shoulder tremendous educational programs for the armed services. So, too, has industry. But there is this difference. Industry, as was but natural, was permitted to make a legitimate profit on war contracts. Educational programs on the contrary have been on a purely cost basis. Schools and colleges have made no profit from their work. They asked for none; neither did they receive any. It is not unreasonable, therefore, that they be given a position of preference in the distribution of war materials. Once again their only purpose is to serve in peace as they served in war.

Very sincerely yours,

Edward B. Rooney, S. J.,
Executive Director.

The following letters are from members of the executive committee of the National Association of Collegiate Deans and Registrars in Negro Schools:

National Association of Collegiate Deans and Registrars in Negro Schools

Answers to questions concerning the post-war distribution of surplus property

1. Office equipment, dormitory equipment, motor vehicles, aeronautical supplies, electronic devices, special educational apparatus, land and buildings (land

for use by agricultural schools and buildings suitable for dormitories and workshops). Federal Security Agency, War Department, Navy Department, Selective Service, War Manpower Commission.

2. These Federal agencies might decide how the equipment should be allocated but not necessarily participate in the actual program for use of the property.

3. Yes, definitely; and the agency should be the Office of Education. Congress should definitely authorize the transfer of such property.

4. (*a*) The agency should hold only such property as it cannot distribute to institutions for educational purposes.

(*b*) As far as such agencies and institutions can make use of them with approval of the distributing agency.

5. (*a*) To equalize the educational opportunities (1) in backward areas (2) in areas with separate school systems (3) to promote research.

(*b*) Distribution might be handled through the State department of education, particularly the industrial, technical, and vocational divisions, the divisions of higher and secondary education respectively.

(*c*) The equipment should be g ven to the respective State departments of education to be distributed in a manner prescribed by such agency. I list herewith some requirements that might be met.

(1) Request should be made for property either through a local community, institution, city, or county school board.

(2) A contract should be made by the institution and distributing agency.

(3) The distributing agency should lay down terms to the State department of education under which distribution is to be made and should give final approval to such distribution.

(*d*) It is questionable whether educational institutions should be allowed to acquire property that is obsolete.

(*e*) As stated under C (2) the distributing agency should draw up a contract stating among other things that a report should be made by the institution or other educational agencies showing how the property has been utilized. Failure to live up to the terms of the contract would permit recapture by the distributing agency.

6. The first purpose of distribution of surplus property should be the equalization of educational opportunities. Any property that cannot be so utilized might be put to other uses or sold commercially.

(*a*) No. I have already stated that the property should be transferred free of charge.

(*b*) Yes.

(*c*) Yes, definitely.

(*d*) A special committee set up in the Office of Education subject to the approval of Congress.

REMARKS

The ability of some States—usually States where educational facilities are meager—to acquire such property as they really need for educational uses if very limited. In my opinion, if any charge is made by the Federal Government for such property, and this charge is passed on by the distributing agency to the various States, the latter would be unable to purchase the property. One of the purposes—to aid backward areas—would in that case be defeated.

HERBERT ADAMS, *President.*

WILBERFORCE UNIVERSITY,
Wilberforce, Ohio, August 22, 1944.

SURPLUS PROPERTY

1. Machinery for engineering and mechanical arts courses, office equipment.

2. Property secured by the schools should be entirely released by the Federal Government. They should be given to the schools who now possess them or sold at nominal cost to other institutions not now possessing Government property.

3. The simplest method is for all property for educational institutions to be cleared through the United States Office of Education, through them to State directors or boards of education.

4. (*a*) None at all. (*b*) All of it.

5. (*a*) To be used by the institutions in any way they see fit.

(*b*) Entirely through State department of education.

(*c*) As above stated, free to institutions now possessing Government property; otherwise bought at a nominal cost, prices to be uniform throughout the country.

(*d*) Same as (*c*).

(*e*) Government would no longer have any interest in the property if distributed as above.

6. (*a*) As indicated above there would be no restrictions in case where property is in possession of institution, otherwise the purchasing institution would be free in use of its funds.

(*b*) Everything of course would have to be regulated by congressional action.

(*c*) Yes.

(*d*) That would be determined by congressional regulations.

GILBERT H. JONES, *Dean.*

SOUTHERN UNIVERSITY,
Scotlandville, La., August 22, 1944.

Registrar S. HERBERT ADAMS,
Johnson C. Smith University, Charlotte, N. C.

DEAR REGISTRAR ADAMS: I am giving you a hasty reply to the letter transmitted to you by Dr. J. T. Williams, former president of National Association of Collegiate Deans and Registrars in Negro Schools.

1. It appears to me that the property used by the various programs under the direction of United States Office of Education and under the Army specialized training program and the Navy specialized training program will be useful in educational activities.

2. It seems to me that the surplus property may be used in programs involving the rehabilitation of veterans and in vocational programs desired by veterans under the G. I. bill of rights.

3. Living in the section of the United States in which I do, I should favor a plan by which the responsibility for the disposal of surplus property to educational institutions should be vested in a Federal agency.

4. The extent to which such an agency should use the property directly in its own operations should be very limited indeed; otherwise, it appears that serious duplications would spring up.

5. (*a*) The distribution of surplus property should have in mind, both the assisting of backward areas and the promotion of research; however, I believe the emphasis should be upon assisting backward areas.

(*b*) It appears that distribution should be handled through State government agencies only when necessary and as little as possible.

(*c*) In distributing surplus property, consideration should be given to all institutions or agencies now in possession of said property on the basis of service rendered and housing and other facilities furnished.

(*d*) Equipment which has been changed in design or is obsolete should be distributed absolutely free. Perhaps all institutions should be paid to take it in.

(*e*) Good conditions for use, resale, and recapture of property. Property should be sold or given away on the basis of use for aducational purposes. Except under extraordinary circumstances, there appears to be no good reason for resale of such property by institutions acquiring it. The property should not be liable to recapture by the Government except in national emergencies.

Yours truly,

J. B. CADE, *Dean.*

MORGAN STATE COLLEGE,
Baltimore, Md., August 24, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, United States Senate,
Washington, D. C.

DEAR SIR: I have received from the National Association of Collegiate Deans and Registrars in Negro Schools a circular questionnaire concerning the distribution of surplus war material among educational institutions. This questionnaire came from your office. I am therefore sending my reply directly to you, at the same time forwarding a copy to the secretary of the association. I am giving my replies in serial order following the numbering of your original document.

(1) The types of surplus property most likely to be used in educational activities are as follows: Scientific instruments, shop machinery and tools, farm

machinery and tools, office furniture, typewriters, mimeograph machines, calculating machines and other office equipment, lumber, paint, household furniture, and certain kinds of preserved foods. Both the War Department and the Navy Department will probably be in possession of such property.

(2) I doubt that the Federal agencies which are in possession of the surplus property can participate in any considerable degree in programs involving the utilization of such property for educational purposes. I believe that the schools should be kept free from the possibility of domination by Federal agencies which might result from any large-scale participation.

(3) It would seem best to place the responsibility for the disposal of surplus property to educational uses upon a single Federal agency. For this purpose the United States Office of Education would seem to be the most suitable. Congress should transfer surplus property to be devoted to educational activities to this agency.

(4) Should a single Federal agency be authorized to hold surplus property susceptible of educational uses: (*a*) None of this property should be directly used in its own operation; (*b*) all of the property should be distributed among educational agencies and institutions.

(5) The best policies to be followed would seem as follows:

(*a*) Backward educational areas should be assisted first and research should be promoted in fields where research is needed.

(*b*) The purchasing departments of State government agencies should handle the distribution of material.

(*c*) Such property should be available to schools and educational agencies below the current market price, otherwise the individual institutions would buy on the open market because of the superior selection available. The price of this property should not be over 50 percent of the open market price.

(*d*) Obsolete equipment should be distributed free of charge to institutions of learning.

(*e*) No resale should be permitted on such material, but it should be liable to recapture by the Government if needed.

(6) (*a*) It does not seem reasonable that the property acquired by the Federal agency in charge of the educational program should be limited by the amount of the appropriated funds available to that agency for such acquisition. If so the amount of surplus material made availble for distribution to eductional institutions all over the country would be extremely limited in amount unless the appropriations to the department in question should be very greatly increased.

(*b*) The transfer of surplus property to that agency without a charge against appropriated funds should be authorized by Congress.

(*c*) The full needs of the Federal educational program should be made before surplus property is allocated to commercial distribution.

(*d*) An over-all Federal administrator should be given authority to determine the allocation of surplus properties.

Very truly yours,

D. O. W. HOLMES.

LIVINGSTONE COLLEGE,
Salisbury, N. C., August 31, 1944.

Answers to questions submitted herewith:

(1) (*a*) Types of surplus property that are most likely to be useful in educational activities: office equipment, electrical devices, special educational apparatus, science equipment, and possibly motor vehicles.

(*b*) A special agency, independent of the War or Navy Departments, should be created for demobilization which should have as its specific function the disposition of war materials no longer needed. Under this agency should be created a division to deal specifically with educational institutions or users.

(2) (*a*) The Federal agencies in possession of such surplus property may participate in programs involving such property for educational purposes in the following manner:

1. Allocate such materials to those educational institutions which have as an integral part of their program the education of veterans and soldiers whose education was interrupted because of induction into the armed services; make a survey of the possible needs for surplus property among educational institutions.

(3) (*a*) Yes; unified responsibility for the disposition of surplus property to educational uses should be vested in a single agency such as the Office of Education.

(*b*) Yes; the Congress should authorize the transfer to such agency of the surplus property that could be devoted to educational activities.

(4) (*a*) The single Federal agency should have as its chief purpose the distribution of surplus property to educational agencies and institutions.

(*b*) The agency should use property directly in its own operation only to the extent necessary to carry out the distribution of surplus property to educational institutions and agencies.

(5) (*a*) The purpose of the distribution should be to assist in an all-encompassing program: to elevate educational standards in all institutions of higher learning, and vocational arts; to promote research and to also develop "backward areas." However, allocations should be made preferably for the education of veterans and servicemen who relinquished their academic pursuits, and those who were unable to avail themselves of educational opportunities.

(*b*) Distribution should be handled through State government agencies only to the extent that they adhere to the basic plans of distribution as set forth by the Federal Government, primarily to satisfy the needs of educational institutions approved by the Government.

(*c*) Property should be distributed under long-term obligations: down payment, and semiannual remittances thereafter without interest; minimum down payment of one-fifth the total cost.

Educational users should not pay current market prices: educational purpose and not commercial use with profit entailed.

PRICE POLICY

Basis.—Depreciation because of use and decrease in demand and increase in supply should make for decrease in cost—to satisfy needs of educational users. Diminishing utility would necessarily give vent to low-price volume. Therefore, the Government should liquidate its inventories of such materials for educational users and institutions as their demands so obtain for adequate purchase.

(*d*) Equipment which has been charged in design or rendered obsolete should be available to educational institutions at a cost not exceeding one-fifth the original price of such equipment.

(*e*) Such materials when bought in final payment should be used or resold at the discretion of the said buyer or institution of education.

(*f*) The Government by constitutional provision of "eminent domain" may recapture such materials when necessary and proper—with just compensation.

(6) (*a*) No; such materials should be allocated to such a Federal agency without the stipulation that there be an appropriation of funds to cover the allocation of such materials, or any such material acquired to be dispensed to educational users—especially since such material is already owned by the Federal Government.

(*b*) Yes.

(*c*) Yes.

(*d*) No; such authority should be vested in a board or commission.

F. D. DREW, *Dean.*

NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES,
Washington, D. C., August 25, 1944.

Senator JAMES E. MURRAY,
Chairman, Senate War Contracts Subcommittee,
Senate Committee on Military Affairs, Washington, D. C.

DEAR SENATOR MURRAY: I have given careful study to the questions listed in your letter of August 17, 1944, relative to the utilization and commercial disposition of surplus war properties. It is quite obvious that the number and type of problems connected with the disposition of this property are such that a single individual could not give competent answers to all of them.

I am a member of the board of directors and also of the executive committee of the National Education Association. We have a well-organized legislative and Federal relations division of which R. B. Marston is the director. Mr. Marston informs me that his division has been giving careful study to the matter of the disposition of surplus war materials so far as they might relate to the public schools of the United States. He also informs me that Mr. John W. Lewis

of Baltimore will represent the National Education Association at the hearings held by your subcommittee.

I would say, in general, the educators of the United States feel that the United States Office of Education and the various State departments of education should be given large responsibilities so far as the distribution of this property to the public schools is concerned. I am sure the educators of the country will greatly appreciate your efforts in seeing to it that the schools share in the disposition of surplus properties.

Sincerely,

L. V. PHILLIPS, *State Director.*

BOYS' CLUBS OF AMERICA, INC.,
New York, N. Y., September 1, 1944.

The Honorable JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: I have returned from vacation to find your letter of August 4 regarding the disposal of surplus property.

1. The types of material which can be utilized by Boys' Clubs include building material for construction and repairs, office furniture and equipment, machinery and tools for instruction purposes, gymnasium and athletic apparatus, equipment and supplies, tents, cots, foodstuffs, and other material usable in camps.

2. Boys' Clubs are nonprofit organizations supported by public contributions. They would be assisted greatly if surplus materials were made available to them at small cost or even at no cost at all. In this way the materials would be used in the physical, mental, and character development of boys from low-income homes and there would be little or no conflict with the production of new materials as the Government would be only providing materials which the Boys' Clubs could not ordinarily afford to buy.

3. I have no opinion as to what agency should have authority to dispose of surplus property. It might be desirable to have a division of the surplus property agency that would be concerned with the disposal of materials to organizations such as ours. I do not know how well equipped the Office of Education is to handle it.

4. (*a*) I do not believe the Government should conduct educational or character-building activities. I believe surplus materials should be made available to already established public and private organizations.

(*b*) The property should be made available to all public and private nonprofit organizations already established and with equal opportunity for all of such organizations to obtain it.

5. (*a*) The purpose of the distribution of surplus materials should be to dispose of them where they will do the most good and where there will be the least possible competition with new production. A secondary purpose should be to assist those organizations which are rendering a vital service to the people of the Nation.

(*b*) Why not have us deal directly with the Federal agency,

(*c*) Certainly, purchasers should not be expected to pay current market prices. This would not dispose of the materials, and there would not be any benefit to the organizations. I believe the prices should be low or normal.

(*d*) and (*e*) I do not believe any conditions should be laid down excepting that the property must be used by bona fide organizations, recognized by the laws of the States, in their work, and there should be penalties for any other use or resale.

6. I believe property suitable for educational and character-building agencies should be offered to them at one price and to commericial organizations at another. I also believe the property should be offered to the educational and character organizations to the extent of their needs before being offered to commercial organizations.

I hope that these opinions may be of some help to you and I shall be glad to be of any further assistance.

Very sincerely yours,

DAVID W. ARMSTRONG,
Executive Director.

REPLIES FROM STATE AND LOCAL ORGANIZATIONS (ARRANGED BY STATES)

ALABAMA COLLEGE,
Montevallo, Ala., August 24, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

MY DEAR SENATOR: This replies to your letter of date, August 18, 1944, written in your capacity as chairman of the War Contracts Subcommittee.

I participated in a group discussion by presidents of institutions of higher learning in Alabama, called by Hon. E. B. Norton, State superintendent of education at the capitol in Montgomery, Ala., August 21 and 22. This group agreed upon a statement or policy with respect to the issues raised by you, which, as I understand, Superintendent Norton will convey to you as the best judgment of the heads of higher institutions in Alabama.

In the foregoing circumstances, I believe that in this State at least, we should not reply as individuals to your inquiry.

There is but one aspect of the whole problem which I would like to emphasize, namely, that any plans or policies for the disposal of surplus war property should not be conducive to inflation in this country. I am not an economist, but it appears to me that the utmost safeguards should be set up following the war to prevent flooding the country with goods of any kind, and as well, to prevent wild spending by individuals or groups. I believe this aspect of your problem should not be overlooked.

I appreciate your courtesy in giving to individual presidents of institutions of higher learning the opportunity to express their convictions concerning the disposal of surplus goods.

Very truly yours,

A. F. HARMAN, *President.*

ARIZONA EDUCATION ASSOCIATION, INC.,
Phoenix, Ariz., August 21, 1944.

Hon. JAMES E. MURRAY,
Chairman of the War Contracts Subcommittee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: I greatly appreciate the opportunity to offer suggestions concerning the educational uses of surplus property which will come into the hands of the National Government. Your brilliant record on behalf of liberal legislation encourages us to offer every possible aid and support to any program which you undertake.

In the interests of clarity and brevity, I shall endeavor to answer the questions set forth in your communication of August 17, by using the same topic and subtopic headings that you employ.

1. I am not well informed as to the type of surplus property most likely to be usable in educational activities, but it would appear to me that the equipment and property of the many schools conducted by the Army and Navy could be most easily converted to the purposes of public education.

2. I do not see how Federal agencies, other than those directly concerned with public education, can participate in programs involving the utilization of surplus property for educational purposes.

3. I believe that those actively engaged in the work of the public schools will have greater confidence in the program for disposal of surplus property for educational uses if full responsibility at the national level be vested in the United States Office of Education, and if surplus property be transferred to the Office of Education.

4. (*a*) At its discretion, the Office of Education could use the property involved directly in its own operation.

(*b*) At its discretion, and according to such bases as it may establish, the United States Office of Education could distribute surplus property among educational agencies and institutions.

5. (*a*) In view of the vast discrepancies between the educational opportunities of children in various parts of our country, it would appear that the first criterion for the distribution of surplus property should be one of need—to the end that educational opportunities will be raised in "backward areas."

(*b*) No opinion.

(c) If surplus properties are to be distributed on a basis of need (as indicated in my answer to (a) above), it may be contended that surplus properties should be given—not sold—to schools in backward areas; even the most conservative price policy would prohibit the purchase of surplus properties by schools most in need of them.

(d) No opinion.

(e) No opinion.

6. (a) No.

(b) Yes.

(c) Yes.

(d) Yes.

Yet us congratulate you on the careful study the War Contracts Subcommittee will make of the suggestions and attitudes of citizens interested in the surplus properties disposal program.

Sincerely yours,

WALTER MAXWELL,
Executive Secretary.

STATE OF ARKANSAS,
DEPARTMENT OF EDUCATION,
Little Rock, August 26, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: Replying to your communication of August 17 concerning recommendation for educational institutions to participate in the disposal of war surpluses, I am glad to give you my recommendations which are a composite of the thinking of the Arkansas Board of Education.

1. The types of surplus properties likely to be useful in educational activities, may be described as any properties which are similar to properties used in any good educational program such as schoolhouse furnishings, laboratory equipment, kitchen and dining room supplies, library books, visual education equipment, transportation equipment, refrigeration equipment.

2. We are not in possession of information to answer this question.

3. Yes; in both instances.

4. (a) Any Federal agency charged with the distribution of surplus property susceptible to educational uses should not use any considerable amount directly in its own operation.

(b) The property should be distributed entirely among educational agencies and institutions which are supported by public taxation.

5. (a) To promote research and to assist in improving educational facilities in areas which are not up to the general average.

(b) Distribution should be handled on the State level entirely through the State board of education. This applies to property distributed to the public schools as well as the various institutions of higher education within the State.

(c) Property should be distributed to educational users without cost. If this is not possible, then educational users should be given a high priority for purchase on the inventory prices.

(d) It is questionable whether educational institutions should acquire equipment described in this category.

(e) If the property is purchased by, or given to educational institutions, no such conditions are necessary.

6. The limitations on the amount of surplus property to be used for educational purposes should be determined by the responsible State agencies and such limitations should be based upon that agencies' knowledge of what the educational program needs and can use to advantage.

(b) Yes.

(c) Yes.

(d) Yes; if the law specifies the limitations over which the administrator's authority would be granted.

I hope that these suggestions will be valuable to you and your committee in setting up a fair and equitable basis on which educational institutions may participate in surplus properties, when the time comes for their disposal.

Sincerely yours,

RALPH B. JONES.

CALIFORNIA TEACHERS ASSOCIATION,
San Francisco, August 22, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR MR. MURRAY: In reply to your inquiry of August 17, I submit the following statements for the consideration of the War Contracts Subcommittee:

1. The modern educational program is extremely varied and covers almost all phases of human endeavor. In addition to the customary elementary schools, high schools, kindergartens, nursery schools, colleges, and other institutions of higher learning, there are many trade, commercial, agricultural, mechanical, and other vocational schools. Because of this wide range of education it is obvious that many, many types of surplus property can be put to good use in schools. For instance, in the single field of industrial training, practically every type of machinery can be utilized.

I do not know what Federal Government agencies will be in possession of the many types of property. It would be sound economy, of course, and good for the schools, if each and every Government agency made a comprehensive internal survey of surplus properties and made these materials available to the schools.

2. It would not be necessary in any way for the Federal agencies possessing the surplus property to participate in the educational programs. All that the agency needs to do is turn the property over to the appropriate school or school system.

3. Yes; unified responsibility for the disposal of surplus property to educational uses might be helpful, if vested, for example, in a single agency such as United States Office of Education. This would facilitate preparation of unified catalogs of all the various kinds of property. It might be helpful if the surplus property itself were transferred to a single agency, although this is questionable. If the United States Office of Education, for example, conducted a vigorous national campaign to acquaint all school people with the surplus properties available from the various governmental agencies, the transfer could be direct from the agency to the school. This should save a lot of clerical work.

4. I doubt the value of No. 4. The surplus property had better go direct from the agencies to the schools.

5. (a) Yes, there would be many purposes of such distribution—to help backward areas, to promote research, to enlarge the physical equipment of schools of all sorts; in other words, to assist in equalizing educational opportunity throughout the Nation.

(b) Distribution certainly should be routed through existing State departments of public instruction and other similar bodies.

(c) The property should be distributed free to all public schools. The people of the Nation have already paid once for these materials. There might be small charges covering transportation, etc.

(d) The condition of acquirement should be that the educational institution is actually going to make use of the material. Changes in design or obsolescence are not important.

(e) There should be reasonable conditions concerning maintenance and use. Resale should be prohibited. Recapture by the Government should be possible.

6. (a) The limitations should not be on the basis of funds available but on the basis of the actual needs of the school or school system.

(b) Yes, the transfer should be duly authorized.

(c) Yes, the full needs of educational programs should be satisfied before the property is allocated to commercial disposition.

(d) Yes, United States Commissioner of Education could be appointed (or someone appointed by him) as an over-all Federal administrator to determine the allocation of surplus properties as between educational uses, other public uses, and commercial disposition.

Respectfully submitted.

ROY W. CLOUD, *State Executive Secretary.*

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UNIVERSITY OF COLORADO,
Boulder, Colo., August 25, 1944.

Hon. JAMES E. MURRAY,
Committee on Military Affairs, United States Senate,
Washington, D. C.

MY DEAR SENATOR: In response to your letter of August 18, asking for my views on the possibilities of disposing of some kinds of surplus materials to educational institutions, I make the following remarks. I have not attempted to make suggestions on certain items in your letter upon which I am not well informed.

Yours sincerely,

CALVIN GRIEDER.

(1) Which, in your opinion, are the types of surplus property that are most likely to be useful in education activities?

Many types of office equipment, such as typewriters, mimeographs, filing cabinets, office machines. Motor vehicles that can be converted to use as school busses. Many kinds of laboratory equipment for physics and chemistry instruction. Many kinds of machines for all kinds of shop work: lathes, planers, saws, drills, etc., etc. Land, where so situated that it can be devoted to school uses, either for building sites or for school farms in certain areas. All kinds of building materials and equipment: prefabricated sections, plumbing, heating, and electrical systems, windows, etc. (The trend in schoolhouse construction is toward safe, well designed, and functional buildings, preferably of one story, using less permanent materials, of which the Government will probably have a large surplus.) All kinds of visual education equipment.

I am not informed as to what governmental agencies will be in possession of these classes of property, but undoubtedly the armed forces will be the largest owner.

(2) To what extent can the Federal agencies in possession of such surplus property participate in programs involving the utilization of such property for educational purposes?

To the extent of listing their inventories with the agency or agencies selected for ultimate distribution, and making their stock available for Nation-wide distribution with a minimum of expense. The agencies in possession of surplus stocks probably should not be the ones to decide on disposition as far as education is concerned, but should cooperate as noted here.

(3) Should unified responsibility for the disposal of surplus property to educational uses be vested in a single Federal agency, such as the Office of Education?

There should, in my opinion, by all means be some central clearinghouse for surplus property disposal. For educational uses, the Office of Education is probably the best agency. It should be considered as part of the central clearinghouse structure, limiting its work to distribution of Government property to educational enterprises.

Should Congress authorize the transfer to such an agency of the surplus property that could be devoted to educational activities? Yes.

4) If a single Federal agency is authorized to hold surplus property susceptible of educational uses:

(*a*) To what extent should that agency use the property directly in its own operations? Not at all, in my opinion. The agency should serve as a distributing center. I do not understand the question fully, but it seems to me that one implication is that the Federal agency would have some use for surplus property in conducting educational programs of its own. To this I am unalterably opposed, so far as public education is concerned. The Office of Education should not operate any schools and should not have any discretion in dictating to State school systems what their programs shall be. The Office does have a large degree of control in vocational education, which, I declare is a bad thing.

(*b*) The answer to this, in my judgment, is to the fullest extent. Nothing should be held back.

(5) What policies should be followed by the Federal agency in distributing surplus property among educational institutions?

(*a*) The purpose of such distribution should be to aid all public education generally, not especially for research, equalization, etc. Let all who can use such property share in its distribution.

(*b*) In each State an agency should be set up, preferably the State education department.

(*c*) The property should be distributed free. No charge whatsoever except the cost of transportation should be made. The basis for this is the fact that the American public has paid for Government property once, and should not be expected to pay for it again. The repayment of the loans through which large portions of such property have been paid for is probably already set up, and the purchase of surplus materials should not be relied upon to finance repayment of Government bonds.

(*d*) If educational institutions can use obsolete or changed equipment, distribute it on the same basis as above. Often obsolete equipment can still be used profitably for instruction in basic processes. Visual education equipment, even though changed in design, can often be usefully put to work.

(*e*) No conditions should be laid down with regard to maintenance. The only condition as to use should be that the equipment distributed should be be put to public use in educational institutions, not for private use or other public use than educational. No conditions should be made as to resale or recapture by the Government. Once the property is disposed of to schools that should be final, from the Government's point of view.

(6) In general, my answer to No. 6 is this: Each State education department should be furnished an inventory list of disposable property suitable for educational use. In each State such inventories should be widely distributed to educational organizations (public schools, colleges, and universities), who should determine what they can use to advantage. Finally, the central Federal agency should consolidate these requests, and apportion the property available for distribution on a prorated basis.

(*a*) No. There should be no question as to purchase. (See above.)

(*b*) No.

(*c*) There should be no Federal educational program, save for special training schools operated by the 10 executive departments of the Government, and by some of the independent Federal agencies. For these, it would be proper to fill their requests first.

(*d*) Yes, but educational uses should have priority, followed by other public uses, and lastly commercial disposition.

MESA COLLEGE,
Grand Junction, Colo., August 26, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contract Subcommittee, United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: I appreciate your letter of August 18 regarding the disposition of surplus war materials and I am glad to answer your questions in order.

1. In my opinion, the type of surplus properties which are most likely to be useful to educational activities are such things as typewriters, moving-picture machines, radios, filing cabinets, typewriter desks, janitorial equipment such as floor-scrubbing machines, and laboratory equipment, including microscopes and physical and chemical equipment. These classes of property are likely to be found in the possession of practically all the Government agencies at the present time.

2. In my opinion the Federal agencies in possession of such surplus properties, as indicated above, are ill-adapted to participate in programs involving educational purposes. Education, as you are doubtless aware, is a rather highly specialized and professional field, one which cannot be engaged in successfully by Federal agencies. I think the experience of the National Youth Administration and the Civilian Conservation Corps programs have shown the futility of attempting to run a dual program with education in this country.

3. In my opinion, the responsibility for the disposal of surplus property for educational uses should be vested in the Office of Education. I think Congress should authorize that office the transfer of surplus property that could be devoted to educational activities.

4. If a single Federal agency is authorized to hold surplus property susceptible of educational uses, then—

(*a*) The agency should use the property in its own operations only to the extent necessary to carry on its disposal.

(*b*) That agency should distribute the property among educational agencies and institutions so far as their needs may require and the property is available.

5. (*a*) The purpose of the distribution of surplus property among educational institutions should be, as you suggest, to assist in developing educational activities in backward areas or places where there are not available funds for the purchase of all equipment necessary. A second worthy purpose is to promote research. You will note that these two are not at all synonymous since in promoting research, the larger educational institutions would get the major share and in developing the backward areas the smaller institutions would get the larger share.

(*b*) In my opinion, the State departments of education of the various States should be the proper agency through which the Federal Government should distribute this surplus property within the States. They are in a position to know better the needs of the higher institutions and also the secondary and primary schools than any other agency.

(*c*) Educational users should pay current market prices for such property, with due respect to the newness or usage of the property. I should suggest, however, that they be given the wholesale prices since there would be no advantage whatever to an institution and a great deal more red tape involved if it had to pay retail prices in purchasing from the Government rather than from the private distributor.

(*d*) I do not know why any educational institution would want to acquire equipment which is obsolete or which has been changed in design so that it is no longer attractive as a market item.

(*e*) I should not like to lay down any conditions as to maintenance or use. I think, however, a provision that the property could not be resold for a period of 5 years after its acquisition would be desirable. I think also that a provision with regard to recapture by the Government in case of national emergency or in case of illegal resale would be desirable.

6. (*a*) Surplus property acquired by the Federal agency in charge of the educational program should be limited by the amount of appropriated funds available to that agency for such acquisition. A transfer of surplus property to that agency should be charged against appropriated funds.

(*c*) The Federal educational agency should be given the opportunity to satisfy the full needs of the Federal educational program before the property is allocated to commercial disposition.

(*d*) An over-all Federal administrator should be given authority to determine the allocation of surplus properties with some congressional designation that educational institutions be given priorities in the opportunities of obtaining such property.

Thank you very much for your invitation for me to express my views. I hope they have been clear and will prove of some service.

Sincerely yours,

HORACE J. WUBBEN, *President.*

CONNECTICUT STATE TEACHERS ASSOCIATION,
Hartford, Conn., August 25, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Washington, D. C.

DEAR SENATOR MURRAY: Thank you for soliciting my opinion concerning legislation dealing with the disposal of surplus war materials for education purposes.

I do not possess sufficient information on the subject to answer your questions in detail. On certain points, however, I am glad to register my judgment with your committee.

In answer to No. 3, it would be ideal, I think, if the responsibility for disposal should be vested, as far as possible, in the Office of Education. This assumes that transfer to that agency can be effected.

The Office of Education, in turn, should distribute surplus materials to schools through regularly constituted educational agencies on the State level. This would mean State departments of education in those States where the departments are permitted by statute to act in such a capacity.

In reply to No. 5, I believe that if disposal to backward areas can be effected without Federal control over the use of the material, the needier sections should benefit deservedly.

I believe (No. 5, pt. (*c*)) that some charge should be made for most surplus equipment, if not all. However, school budgets would forbid purchasing at the market in competition with either speculators or legitimate business firms. Some system of assessment of value would have to be derived, and hooked into a system of discounts to genuine educational purchasers.

In No. 5, part (*c*), it seems to me that sales (or other disposal) should be final and not subject to recapture by the Government. Materials of possible future use to the military should not be disposed of at present.

In the current difference of view between the House and Senate, I must confess that I favor the House attitude to place this matter in the hands of a board rather than an individual. We in education do not want either another Work Projects Administration or National Youth Administration, and the one-man set-up would seem to me to favor such possibilities. The idea of an administrative committee or board assumes that educationally useful materials would be distributed, after transfer, as suggested above.

It is my understanding that section 12 of Senate bill 2065, now under Senate discussion, contains provisions favorable to education in this area.

I want to thank you and the other members of your committee for the opportunity of expressing my views in the matter. Please call on me again if I can be of any further help.

Sincerely yours,

LYNDON U. PRATT, *Executive Secretary.*

STATE OF CONNECTICUT, DEPARTMENT OF EDUCATION,
Hartford, Conn., September 5, 1944.

Hon. JAMES E. MURRAY,
United States Senator,
Washington, D. C.

DEAR SENATOR MURRAY: This replies to your letter of August 17 re the disposition of surplus war materials.

1. Visual-aid materials—Army and Navy; buildings for vocational; office equipment, including typewriters, dictaphones, etc.—Army, Navy, most Government offices; aeronautical equipment, machine shop, electrical, shipbuilding, etc.—Army, Navy, War Production Board.

This list should be extended by the committee and made available to us for careful analysis. We are aware of considerable confusion in making information concerning these materials available to educational authorities. I would suggest, therefore, that:

(*a*) The Federal Government, itself, assemble all agencies having to do with this problem to formulate a plan for the allocation of surplus war materials to the schools and colleges of the country.

(*b*) That negotiations should be through the United States Office of Education as the agency of the Federal level; through State departments of education on the State level; and thence to the public and nonpublic institutions in each State.

One of the most wasteful practices will be the distribution of these materials without reference to a plan for effective use in the local schools or colleges whether they be public or nonpublic. Frequently, institutions have been known to order obsolete Army equipment without the remotest idea as to how this is to be used in conjunction with the educational program. It seems to me that each school or college should devise a plan for the effective use of this equipment which would be transmitted to the State board of vocational education for review and thence to the United States Office of Education.

2. See question No. 1.

3. I believe a disposal of surplus property should be vested in a single agency, whether it be a new agency particularly organized for this purpose or an old department, for example, the Treasury Department. Since the surplus material will be available to others than educational authorities, it seems to me that if the educational authorities at Washington were represented on the central agency, this would suffice.

4. This question has been answered in part in No. 1—no school or college, in my judgment, should be awarded surplus materials unless it has shown conclusively that the request is based on a plan and that the equipment can be used within the realms of the objectives at a particular institution. It should be allocated directly from Federal Government but through the State authority, the State department of education, for educational purposes. The governor of

each State might be advised to set up a distributing committee consisting of the financial and educational authority or others.

5. The policies to be followed should be summed as follows:

(*a*) to provide adequate equipment to American schools and colleges.

(*b*) to be distributed by each State either by a committee composed of (1) the commissioner of finance or comptroller, (2) the State purchasing agent or equivalent officer, (3) the commissioner of education.

(*c*) the policy for the schools should include payment to the extent of at least half of the current market price.

(*d*) obsolete materials should not be purchased for educational use. If purchased by the school or college the title should rest therein. If a lease arrangement is made, title should rest with the State.

6. (*a*) Yes.

(*b*) No.

(*c*) Yes.

(*d*) Yes.

It is also my judgment that the educational use of this equipment cannot be determined by the educational authority alone though the educational authority will handle the distribution within the State. I suggest, therefore, an over-all State committee.

Sincerely yours,

ALONZO G. GRACE, *Commissioner of Education.*

DEPARTMENT OF PUBLIC INSTRUCTION,
Dover, Del., August 23, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Office Building, Washington, D. C.

DEAR MR. MURRAY: It was very good of you to have sent to me your letter of August 17 including a number of questions in regard to the distribution of surplus property originally acquired for war needs but no longer needed for such purposes. In reply to the specific questions asked I beg to submit the following notations:

(1) Types of surplus property: Tools; woodworking machinery, consisting of lathes, saws, grinders, etc.; machinery to take the place of that worn out or needing reconditioning in shops used for training of defense workers; cafeteria equipment, steam tables, dishwashers, trays, dishes, cooking utensils; sound-motion-picture projectors, 16 millimeter Gam Hardy projectors for film strip, 32 millimeter; phonographs for use of 16-inch records, musical instruments for band use; all kinds of meters for laboratory use; radio equipment, frequency modulation sending and receiving sets; and athletic equipment; buildings in Delaware, the use of which is to be discontinued, etc., etc.

(2) Agencies supported by the Federal Government in my judgment should be permitted to use such property for educational purposes in accordance with their needs.

(3) I believe the Office of Education should be required to approve distribution for educational uses to the various States but not be given the responsibility of actual physical dealing of the properties involved. I am of the opinion that Congress should not authorize the transfer of such property to the Office of Education but should transmit control to the agency set up for that purpose, subject to the approval of the Office of Education.

(4) (*a*) The agency to which the task of distribution is assigned should of course have made available to it the necessary buildings, office equipment, and trucks required for carrying out its duties.

(*b*) Distribution of property should be made by the agency and the cost of transportation of the same paid by the educational institutions receiving the materials.

(5) Policies of distribution: (*a*) I believe that consideration in the distribution should be had for backward areas, and also, particularly in case of institutions of higher learning, for the promotion of research.

(*b*) The State board of education, or the body in any State serving that purpose, or, in the absence of such body, a State commission appointed by the Governor.

(*c*) I think that the properties should be distributed free of cost except the cost of transportation. Taxpayers have already paid for the property and should not be required to pay for it again.

(*d*) Properties should be used by educational institutions on condition only that it is usable for educational purposes; unusable properties should not be distributed.

(*e*) As above, surplus properties should be allocated for educational use only and should not be sold except as scrap not otherwise usable. This property should be always available for recapture by the Government.

(6) Commercial distribution: (*a*) I believe, as indicated above, that distribution should be on the basis of needs of the schools and not on the basis of appropriated funds.

(*b*) Congress should authorize free distribution for educational purposes.

(*c*) Full needs of the Federal educational program should meet before the allocation for commercial distribution is to be considered.

(*d*) An over-all Federal agency should be given authority to determine the allocation of surplus properties, but not until conference is had with the United States Office of Education in regard to the items determined for educational uses.

Sincerely yours,

H. V. HOLLOWAY, *State Superintendent.*

STATE OF IDAHO, DEPARTMENT OF EDUCATION,
Boise, August 26, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee.
United States Senate, Washington, D. C.

DEAR MR. MURRAY: I wish to express my sincere appreciation for the courtesy extended in asking for my opinion relative to the disposal of surplus Government property.

Among the types of surplus property which are most likely to be useful in educational activities are the following:

Radio materials, radio instruments, particularly for receiving and training equipment.

Visual aids, films, charts, maps, etc.

Shop tools and equipment, including welding equipment, demonstration materials, Diesel engines, etc.

Transportation equipment, chassis, tires, tools.

Possibly musical instruments, laboratory equipment, aeronautic equipment for higher institutions, and demonstration equipment for high schools; also, recreational equipment is badly needed.

Schoolroom furniture, instructional supplies, first-aid and health equipment, cafeteria equipment, and food-processing equipment.

I feel very definitely that there should be unified responsibility for the disposal of surplus property to educational uses and that it should be vested in a single Federal agency and that agency should be the United States Office of Education. It appears that the United States Office of Education would not need to use any of this surplus property to any extent for its own direct purposes. This agency should completely distribute the property among all the educational agencies and institutions.

The purposes of this distribution should be to supplement and improve educational facilities of public institutions. It should be handled by the State department of education. The distribution should be either free or at the cost of delivery; in no event should it be more than the cost of production.

In connection with the acquired equipment which has been changed in design or is obsolete, the school should bear only the cost of delivery.

Relative to the conditions and terms which should be laid down with regard to maintenance or use, I would like to suggest that if the equipment is not in use it should be returned to the State department of education for redistribution. Under no circumstances should resale be permitted. This property should remain that of public institutions. If the property is not used, the State department of education should dispose of same and place the returns in the State general school fund.

The surplus property acquired by the Federal agency in charge of the educational program should not be limited by the amount of appropriated funds available for such acquisition. Congress should authorize the transfer of surplus property without a charge against appropriated funds.

Distribution should be based on the results of surveys conducted by States and reported to the Federal agency in charge of allocation, with priority to public education; second, to other public agencies, with commercial distribution only of items which cannot be used by public agencies, or excesses over the requirements of public agencies.

Federal distribution should be handled by a committee with a director under its supervision rather than by a single public administrator.

Again thanking you for consulting us in this very important matter, I remain,

Respectfully yours,

A. H. CHATBURN,
State Superintendent of Public Instruction.

THE IDAHO EDUCATION ASSOCIATION,
Boise, Idaho, August 26, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR MR. MURRAY: Replying to your letter relative to disposal of war surpluses.

In order to obtain data and information upon which to base a statement, we called into conference school administrators and met with our State superintendent of public instruction. The suggestions contained herein represent the consensus of that group. You probably will receive a similar letter from our State superintendent of public instruction.

Replies to questions are numbered to correspond with the inquiries in your letter.

(1) Types of equipment most likely to be useful in educational activities: Radio materials, radio instruments, etc., particularly for receiving and training; visual aids; films, charts, maps, etc.; shop tools and equipment, including welding tools and equipment; demonstration materials; Diesel engines and other motor equipment for demonstrations and instructional purposes; transportation equipment; chassis, tires, etc., of motor-transportation equipment; possibly musical instruments; laboratory equipment and supplies, especially aeronautic equipment, particularly for higher public institutions of learning, and demonstration equipment of this nature for high schools—recreational equipment (badly needed)—school furniture and equipment, instructional supplies—first-aid and health equipment—cafeteria equipment, including cooking and food-processing equipment.

(2) Extent to which Federal agencies can participate in programs utilizing such property: None.

(3) Vesting of responsibility: In United States Office of Education for disposal to State departments of education; and Congress should transfer to that Office the surplus property to be devoted to educational purposes.

(4) (*a*) Extent to which United States Office of Education should use property in own operations: We see no way in which this agency could use this property.

(*b*) Extent of distribution to educational agencies and institutions: Completely, to public educational agencies and institutions.

(5) (*a*) Purposes: To supplement and improve facilities of all public educational agencies and institutions.

(*b*) Extent handled through State agencies: Entirely by State departments of education.

(*c*) Terms of distribution: Either free or at cost of delivery, or at worst at cost of production.

(*d*) Conditions re obsolete materials: Only at cost of delivery.

(*e*) If not in use for a period of one school term, should be returned to State department of education for redistribution.

Resale: No resale; should remain property of public agency or institution.

Recapture by Government: If property not used, State department of education should repossess and dispose of same and place returns in State general school fund.

(6) (*a*) No; should be limited by amount public educational agencies and institutions can use economically and effectively.

(*b*) Transfer with charge to appropriation of United States Office of Education: Yes.

(*c*) Satisfy full needs of educational groups before allocation to commercial agencies: Yes; by all means.

(*d*) Over-all authority for all distribution should be in hands of commission with executive director.

Basis for distribution for educational uses: On surveys conducted by State departments of education and reported to United States Office of Education. For total distribution of all surpluses to all agencies, State surveys reported to distributing agencies (Federal), with priority of distribution to public educational agencies and institutions; other public agencies coming second, and commercial agencies coming last, if at all, or excess only to commercial agencies.

Respectfully yours,

JOHN I. HILLMAN,
Executive Secretary.

SCHUYLER COUNTY SUPERINTENDENT OF SCHOOLS,
Rushville, Ill., August 26, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, United States Senate.

GENTLEMEN: In answer to your circular inquiry dated August 18, 1944, I respectfully submit the following opinion and views in the same order of questions asked.

1. Schools of our county can use to good advantage special educational apparatus such as slide projectors, movie projectors, business machines, office furniture, etc.

2. I am not sure of the meaning of this question. However, I will take it to mean direct educational activity. My comment on that is to leave educational policy to the States and local authorities.

3. I see no reason why transferring of surplus property to the Office of Education for disposal to local educational units would not be a nice method.

4. (*a*) To supplement existing and new educational units.

(*b*) By far the greater amount should be distributed to existing and new educational institutions.

5. (*a*) To assist in developing educational activities in backward areas to promote research, to help equip institutions of limited finances.

(*b*) It seems that office of State superintendent of public instruction or its equivalent would be a logical State agency. Some provision should be attached either by Federal or State agency to insure that property go to channels where it is needed most and to those schools which are least able to equip themselves.

(*c*) The property is already paid for, perhaps in the form of public debt. If property is distributed to poorer districts why just transfer that to them? I would suggest a very small charge. That is the only way backward areas, etc., would benefit much as the backward part seems to me to be most economic.

(*d*) I see little difference if obsolete equipment is still useful, between it and new or modern equipment.

(*e*) The preestablishment of certain use should be a part of the procurement. The user should also be willing to pay for maintenance. Resale should not be allowed at a price in excess of cost to user minus depreciation. Need of recapture by the Government seems negligible. By the time it might be needed to meet another war emergency most of it would probably be obsolete. Also, cooperation probably would place most of it in Government hands at request if needed.

6. (*a*) No.

(*b*) Yes.

(*c*) Yes.

(*d*) I would see no objection to such a set-up, provided the administration of same is not "packed" in favor of too much commercial deposition.

Hoping that the above comments and views will add a "widow's mite" to your consideration, I am,

Very truly yours,

LESLIE G. BEDENBENDER,
Schuyler County Superintendent of Schools.

INDIANA UNIVERSITY,
Bloomington, Ind., August 23, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR SIR: I have your letter of August 5 with reference to disposal of surplus Government property. The following suggestions concerning the educational uses to which such property could be put are numbered in the order of the points mentioned in your communication:

1. (*a*) Machinery and equipment for vocational education, audio-visual equipment, cafeteria and lunchroom equipment, office equipment and furniture, equipment used in research, i. e., communication, physics, chemistry, biological, meteorological, etc. Machinery such as jeeps, trucks, bulldozers, etc., would be useful in practical applications of education.

(*b*) Army, Navy, Coast Guard, Marines, Housing Authority, governmental departments, i. e., Agriculture, etc. Industries that have been built and equipped at governmental expense.

2. There are many relationships possible, i. e., vocational education, school buildings and equipment, cooperative research, subsidized programs such as children's feeding, etc.

3. There will be a more understanding job done insofar as education is concerned if an agency like the Office of Education which has regular channels to the public schools might be given custody of property with responsibility for distributing and accounting for it.

4. (*a*) The extent to which the agency should use the property should be limited to its use in carrying out the job in hand or in prosecuting a regular program, as in the case of the Office of Education and its vocational program.

(*b*) To make the material effective it will have to be distributed among educational agencies and institutions.

5. (*a*) (1) To assist in developing education activities; (2) to promote research; (3) to stimulate interest in the practical aspects of education; (4) to permit the transfer of local and State funds to other developmental lines; (5) to develop adult and part-time education.

(*b*) State governmental agencies should be used when possible. Those related to the field, as State departments of education, State departments of conservation, etc.

(*c*) A fair price considerably less than original cost and probably under market price will be necessary for maximum use. Schools buy over long periods and would not be able to pay full price for materials in large quantities within a short period. This represents a different situation than throwing the material on the open market at much less than cost.

(*d*) Such material should be given to the institution, but only when proper use can be made of it.

(*e*) It should be maintained and used by the agency acquiring it. Resale should not be permitted except as a trade-in on new equipment. Institutions will generally not be interested in such material if it can be recaptured and if there is danger in making them liable for depreciation.

6. Responsible educational officials will have to approve requests. State departments of education should function in this regard. A nonpolitical agency, such as a State board of education, should supervise the distribution.

(*a*) No; ability to use satisfactorily should be the determining factor.

(*b*) Congress should provide general authority and require reports and be able to investigate but not pass on each distribution before made.

(*c*) Yes; by all means.

(*d*) Yes; with some proper guiding principles.

NOTE.—Adequate bonding of those agencies and individuals figuring in the distribution should be made so that responsibility can be fixed. Release from such bonds should not be granted until a sufficient time has elapsed to wear out the material.

Very truly yours,

H. L. SMITH,
Dean, School of Education.

ABRAHAM LINCOLN HIGH SCHOOL,
Council Bluffs, Iowa, August 28, 1944.

Senator JAMES E. MURRAY,
Senate Committee on Military Affairs,
Washington, D. C.

DEAR SENATOR MURRAY: In answer to your inquiry of August 18. As National Education Association director for Iowa, I write in behalf of the teachers of Iowa.

It is the consensus in Iowa that surplus war materials should be allocated to the schools for instructional purposes.

(1) The materials most usable in the schools would be:

(*a*) Shop tools and power machines, both wood and metal, forges, shapers, etc. These would be especially valuable in automobile mechanics courses, mechanical drawing, and general shop courses.

(*b*) Engines, trucks, planes (disassembled), etc. These materials could be used for demonstrational purposes in regular classes, in distributive classes, and in adult educational classes.

(*c*) Laboratory equipment, for biology, physics, chemistry, and general science.

(*d*) Books on science, mathematics, aerodynamics, health hygiene, available from Army and Navy educational courses.

(*e*) Recreational material, sporting goods, equipment, etc.

(*f*) Visual aids—projectors, films, maps, charts, graphs, etc.

(*g*) Music instruments and supplies.

(*h*) Aeronautic equipment, planes, parts, repair tools, motors, and equipment for flying fields.

(*i*) Electronic material, radio, radar, apparatus.

(*j*) Radio receiving and sending sets.

(*k*) Chasses, tires, etc., for school busses, jeeps, station wagons, for transportation of children and for the use of attendance officers.

(*l*) Printing presses for printing departments in schools.

(*m*) Weather maps, meteorology charts, etc., valuable for teaching geography.

I have little occasion to know in which department this material is available for distribution at this time.

(2) The Federal agencies in possession of surplus property could not participate greatly in the educational program. They could, however, serve as counselors to see that the material was used advantageously, could address school children, adult groups, etc. Their greatest contribution would be to teachers who would use the material in presenting methods, and in demonstrating and explaining the material.

(3) There should be unified responsibility for the disposal of surplus material vested in a single Federal agency, preferably the Office of Education. Information regarding participating schools is already on file in this office. Congress should authorize the transfer of this material to this agency, which in turn should be responsible for the method of distribution.

(4) A single Federal agency:

(*a*) Would propably have little or no use for the property in its own operation. Preferably it should act as a distributing agency only.

(*b*) The Federal agency should distribute the material equitably on a State basis taking into consideration the educational program of the several States, the general character of the activities of the State (whether agricultural, industrial or distributive, etc.) and the number and character of its institutions. This should take into consideration rural level, elementary high school and institutions of higher learning (both technical, professional, and liberal arts).

(5) Policy of distribution: (*a*) Some attempt should be made to assist in developing backward areas. There is a serious limitation to an equalizing pro gram becaue many backward districts would not have the facilities to use the material effectively. Effective use should not be sacrificed to the expediency. In schools of lower levels the material should be used for demonstration purposes. In institutions of higher learning it could be used for research (both applied and pure research). An important use that should not be overlooked is in adult education.

(*b*) The distribution in the States should be done through State governmental agencies, preferably through State departments of education. A special division in these departments should concern themselves wholly with this distribution.

(*c*) The material should be distributed free. The material has already been paid for out of taxation money. To charge a school district would require it to

be paid for twice or at any rate to shift the tax burden of its cost. It would also tend to discourage sections (such as backward sections) from its use even though they might need it most. If Congress should decide that it must be paid for, the price should be less than current commercial prices. Schools should not merely get the material that private industry cannot use. This is, of course, one factor that needs consideration. At the present time schools cannot get equipment because of priority considerations.

(*d*) Material of old design or even obsolete is still valuable for educational purposes since it would demonstrate scientific principles. If Congress would charge school districts for material, certainly it should not charge for outmoded designs that have no commercial value.

(*e*) Congress should specify that the material be used for educational purposes. If given to the district it should not be resold under any condition. Ownership should be maintained in the hands of the Federal Government and the Government should reserve the right to reclaim it. If sold to the district, the district should be permitted to sell it to commercial agencies at a price no less than the price set to commercial agencies by the Government.

I maintain that the Government should reserve ownership to itself and distribute the material for cost of transportation only. If sold to the district, there would be serious dangers involved in resale activities.

(6) A national survey should be made to determine how much surplus material could be used advantageously for public purposes and for educational purposes. The material not valuable, in excess of the amount that could be used effectively and material not suited to the public and educational use should be sold commercially.

(*a*) The amount of surplus material should not be limited by any amount of appropriated funds available to that agency. If there were Federal support of education, such a charge might be made. However, the Office of Education has such limited funds, that such a charge would be impractical. The few distributive funds are allocated for payment of salaries to personnel. Such a charge would destroy the very institution that would use the surplus material.

(*b*) The transfer of surplus property should be made without a charge against the small appropriated fund authorized by Congress unless such charge would be recognized as the first step toward Federal support of public education.

(*c*) The Federal educational agency should be given first opportunity to use the surplus material. The rest, not requested for educational purposes should be allocated to commercial distribution.

(*d*) There should be a Federal administrator of surplus property. It should be his function to consult the educational agency and public agency to satisfy their needs. Then he should determine the commercial disposition of the remainder.

These views represent pretty much the views of the educators of Iowa. It has been impossible in the short time available to circularize all of the educators. However, contacts with representative men and women of the profession, those engaged in the work of the State department of public instruction and higher institutions, members of boards of education and parents, would indicate considerable unanimity in the news expressed in this letter.

Sincerely yours,

G. W. KIRN,
National Education Association Director for Iowa.

JUNCTION CITY PUBLIC SCHOOLS,
Junction City, Kans, August 21, 1944,

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
House of Representatives, Washington, D. C.

DEAR MR. MURRAY: I have your letter relative to the disposal of large quantities of equipment for war purposes. It is, of course, very difficult for the average layman to give a very intelligent answer without any particular study on the subject. May I give you my reactions in numerical order to the questions you ask.

1. The equipment that I think most likely to be useful in schools is that pertaining to shop work, electrical equipment, welding equipment, and all other kinds of shop work material. Outside of that possibly some office desks, etc., would be useful. I think of these because I think undoubtedly our public-school systems will expand in the direction of shop work.

2. I am not sure that I understand this question. If it means Federal agencies might like to use this equipment for adult education, etc., I see no reason why there couldn't be a very fine program of cooperation, for certainly our public schools should be open for whatever use they can be in the community. We do that now with the vocational agriculture and I am sure that any work tending toward rehabilitation or adult education the schools would be glad to cooperate with any Federal agency.

3. It would be my opinion that the best way of distributing this material to schools would be through a Federal agency, perhaps best by a part of the National Education Office and I should think through the vocational education departments of the State. They have almost direct contacts with all schools and I should think would furnish the best avenue for distribution for such surplus property.

4. I do not believe I understand the question here. It would seem to me that any distribution should be on a free basis and independent of the operation of any other agency.

5 (*a*). I think the distribution should be on the basis of where it will be used and I think public-school men would not request it unless they could make use of it.

5 (*b*). I have already suggested it be handled through the vocational education in each State.

5 (*c*). I know there is some demand that this property should be given over free to schools as it already belongs to the Government and the public has already paid for it. I do not concur in this belief. It seems to me the public debt has to be taken care of and if this is available to the school the school as a Government unit should expect to pay for it. Perhaps a standard price could be set at 50 or 75 percent of the value and it could be made available to schools. If they are in need of this most would be able to buy.

5 (*d*). I see no reason for schools requesting equipment they cannot make use of and if it is too expensive to work over it would be foolish for them to take it over.

5 (*e*). If this equipment is sold to schools there would be no question relative to maintenance and there would seem to me to be very little reason why it should not be sold direct.

6 (*a*). It is my opinion "Yes" would be the answer to this question.

6 (*c*). "Yes" would be my answer to this question.

6 (*d*). It would seem to me that the vocational education administrator in each State could assume the responsibility for seeing after the problems mentioned here.

I am sure the public schools would be glad to have the opportunity of sharing in the use of a large amount of the materials that have been used in the Army training, but I am inclined to believe if there are Federal Government schools for rehabilitation to be equipped they should have the first right on all this material. If a rehabilitation program can be worked out through the public schools then perhaps the distribution can be made to the public schools and double use of the equipment can be made.

May I assure you that I appreciate your interest in our schools to this extent and I should be glad to discuss this matter with schoolmen as I come in contact with them and give you the benefit of any information that seems to me would be pertinent to this task.

Most cordially yours,

DONALD A. MCCONNELL,
Superintendent of Schools.

DEPARTMENT OF EDUCATION,
Frankfort, Ky., August 21, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

MY DEAR SENATOR MURRAY: This is in reply to your general inquiry dated August 17, 1944, concerning the surplus war properties and their distribution. While I am not familiar with the correct answers to a great many of your questions, I shall attempt to answer such as I may know about or have a constructive opinion about.

1. The kind of surplus property that would be useful to schools would be small tools, mechanics' tools, office equipment, electric equipment, special educa-

tional apparatus, desks, etc., land and buildings. In addition to this, transportation vehicles will be very necessary, since the transportation system of the public schools has broken down and since conversion to manufactured machinery will be rather slow, these materials would be much needed.

2. The Federal Government should not participate in any manner whatsoever in the program involved in the utilization of the surplus property for educational purposes, except to transfer it to such State agency as the State may set up for its distribution to the State.

3. In my judgment, a central Federal agency, preferably let us say the Office of Education, should distribute this property to the proper State agency, preferably the State board of education. It is my judgment that Congress should authorize such Federal agency to make the distribution to the State agency.

4. If such central Federal agency is authorized to distribute this property, I can see no earthly use it would have for this property except to distribute it to the proper State agency. Of course I refer to property used for educational purposes. It should make no direct distribution to a single educational institution in the State, except upon requisition sent through a central State agency to the office of the Federal distribution agency. This would insure an even, equitable, distribution of surplus property among the educational agencies within a State.

5. The over-all purpose of the plan of distribution designated in 4 above should be not only to raise the general level of education in all of the States, but to help equalize educational opportunities in those States less able to buy such equipment as would be found in the surplus war materials. Let me reiterate that within the State the distribution should be made by the State agency. The Federal contact would stop with the central State agency. In distributing this property within the State a price should be fixed at such level that the poorest school district would be able to make use of it. I am unable to say just what the price should be. The principal safeguard it seems to me should be that the distribution of the surplus war material should not unbalance the economy in a particular area. It might be well, also, to distribute without charge such equipment as is out of date in design. There should be no control over the materials after they are distributed to the local agency by the State. The general principle to be observed is that when this property reaches the school district it does not stay earmarked, but would receive the same treatment as any other property received from any source.

6. In determining what surplus property should go to education, there should be a committee which would list those which have value. In all likelihood such property should be transferred to the appropriate agency for the distribution of educational supplies without charge. It is my judgment that the committee who would list the property for educational purposes should complete its work before any other properties not valid for educational purposes would be permitted to go into the market for commercial purposes.

I know this letter is rather sketchy and general, but it represents the principle upon which I think the Federal Government should deal with the distribution of surplus properties for education.

Cordially yours,

R. E. JAGGERS,
National Education Association State Director.

KENTUCKY EDUCATION ASSOCIATION, INC.,
Louisville, Ky., August 25, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: Thanks for your letter of August 17. I am delighted to give you my views and what I believe to be the consensus of opinion of the 18,000 members of the Kentucky Education Association relative to the bills dealing with utilization and disposition of war surpluses. I shall attempt to answer the questions in the order in which they are listed in your letter.

1. There will be a vast amount of surplus war material which can be used by the schools and colleges of the country. These materials consist in part of lathes, planes, hammers, saws, motion picture projectors, films, radio sets and tubes, chemistry and physics apparatus, chassis for busses, first-aid kits, school desks, folding chairs, blackboards, textbooks and library books, duplicating machines, typewriters, etc. These materials are desperately needed in Kentucky since many schools have been unable to obtain equipment either for replacement or expansion due to priorities and a large number of other schools are without financial ability to secure needed materials and supplies on a competitive market. I assume that the War Department will have possession of these classes of property, since most of these items have been acquired in large quantities by the armed forces for educational purposes.

2. The Federal agencies now in possession of surplus war properties suitable for school purposes could participate in a program involving the utilization of such property for school purposes. However, logically such a program should be administered by a duly constituted and created educational agency.

3. It is my judgment that unified responsibility for the disposal of all war surpluses for school use should be vested in the United States Department of Education and that Congress should authorize the transfer of such properties to that agency.

4. (*a*) The United States Office of Education should be permitted to use needed materials and equipment in the operation of its own office, however, the amount required for that purpose would be almost negligible.

(*b*) The great bulk of war surpluses suitable for educational purposes should be allocated without cost to the various States by the United States Office of Education, subject to such rules and regulations as may be promulgated by the Federal Administrator. Such rules and regulations should take into consideration the principle of demonstrated need and also should carefully safeguard production and employment.

5. (*a*) As stated in reply to 4 (*a*), it is my judgment that the chief basis for the distribution of war surpluses by the United States Office of Education to the various States should be to meet clearly demonstrated need for such equipment for school purposes.

(*b*) The United States Office of Education should allocate these properties to the various States through the State board of education or State departments of education. These duly created and constituted educational agencies, after careful investigation, would certify to the United States Office of Education those school districts in their respective States in which such surpluses are desperately needed and could be advantageously utilized and upon this basis the United States Office of Education would allocate surpluses to the States.

(*c*) War surpluses suitable for school uses should be made available to schools without cost, except for the cost of transportation, storage, and other expenses incident to the exchange of custodianship of these goods from Federal to State and local public agencies.

(*d*) Equipment which has been changed in design or is obsolete may have great educational value in that such equipment may be utilized as projects for alteration or rebuilding in shops and trade schools.

(*e*) State or local public agencies to which war surpluses are transferred should be required to report periodically to the United States Office of Education on the condition and use of such materials. Resale of such materials should be prohibited. The title of all such property should be vested in the United States Office of Education.

6. (*a*) As stated above it is my judgment that war surpluses suitable for school use should be made available free of cost.

(*b*) Transfer of surplus property to the United States Office of Education should be authorized by Congress without cost.

(*c*) The United States Office of Education should be given the opportunity to satisfy fully the needs of public education as definitely established by State and local public agencies before any surplus materials are allocated to commercial disposition.

(*d*) Congress itself or an over-all Federal administrator created by Congress, should determine the allocation of surplus properties as between educational uses, other public uses, and commercial disposition. The distribution of surplus properties by Congress or by the Federal Administrator should be restricted by consideration of such factors as demonstrated need, the obligation of the Federal Government to replace school equipment which has been worn out as a result of the war effort, the inability of the schools to replace such equipment out of current income, and the responsibility of the schools to provide educational services for returning veterans under the terms of the G. I. bill.

I sincerely trust that these views may be of help to you and the members of your subcommittee in your deliberation on this most important subject.

Cordially yours,

W. P. KING, *Executive Secretary.*

STATE OF LOUISIANA, DEPARTMENT OF EDUCATION,
Baton Rouge, August 21, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of Committee on Military Affairs, United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: In reply to your letter of August 17, 1944, with regard to the reconversion of the vast amount of property useful for educational activities, originally acquired for war needs and no longer needed for such purpose, I am happy to present my views on this matter.

It seems to me that the administration of the disposal of such property should be vested in the single agency of the United States Office of Education. The apportionment of this property among the States might well be determined by the amount and kinds of such property presently within the States; for example, Louisiana would be allotted the surplus property useful in educational activities presently located at the various Army camps and training centers within this State. It might be well to extend this idea of apportionment beyond State lines to include areas of not more than three or four States. These areas should not be too large because of the necessity for convenience in examining properties and determining their value for educational use in the publicly supported schools, colleges, and universities within the area.

Since these properties originally acquired for war needs have been acquired through the expenditure of public funds, and since State-operated schools, colleges, and universities are supported by public funds, it is a matter of little consequence what plan of payment for these properties may be adopted, for the payment would be made merely from one public pocket to another. However, to insure the proper apportionment and the proper selection of such equipment by the schools, colleges, and universities, it would be well that a charge be made to these educational organizations by the Federal Government, to cover the cost of distribution and other administrative expenses.

For your convenience in reference, I am numbering the following paragraphs to correspond to the numbers of the six major questions of your letter.

(1) The types of surplus property that are most likely to be useful in educational activities are motor vehicles, especially the large vehicles of the bus type which would be suitable for the transportation of children to school; office equipment, which might be useful in school offices, commercial-education departments, libraries, and for the teacher's use in classrooms; special educational apparatus, particularly, audio-visual equipment, gymnasium and physical-education equipment, industrial shop equipment, and scientific equipment such as laboratory equipment, including microscopes and the like; aeronautical supplies, which might be useful in flight training; electronic devices, which could well be used in the training of operators in the communications area and in the program of vocational education which we anticipate expanding after the war. Land presently owned by the Government could be used in only a limited fashion by educational organizations; however, special types of educational institutions might well make a worthy use of such land. Buildings might be utilized in connection with the land use suggested in the preceding sentence. Buildings, particularly, those of a portable or rebuildable nature, might well be used in the general educational program.

(2) It would seem that the Federal agency now in possession of such surplus property useful for educational activities could best participate in the programs involving the utilization of such property for educational purposes by making available to the United States Office of Education and to the State school administration of the area involved, lists and quantities of such property presently in their possession. Of course, it is assumed that the prices placed upon such property would be determined in advance and would accompany such lists.

(3) As I have already stated, I believe that the administration for the disposal of surplus property to educational use should be placed in the hands of the United States Office of Education, and that Congress should authorize the transfer to this agency of such surplus property; provided, that such property now located within such a State or within an area is to be made available to the publicly supported schools, colleges, and universities within that State or area.

(4) Of course, if a single Federal agency such as the Office of Education is authorized to hold surplus property for educational use, it should be allowed to use as much of such property as is needed directly in its own operation; for such use would avoid the expenditure of other public money for the purchase of property for the use of this single Federal agency. It follows, then, that this single Federal agency should allot for distribution all remaining property among the publicly supported educational agencies and institutions.

(5) As I stated near the beginning of this letter, I believe that the governing policy that should be followed by the Federal agency in distributing surplus property among educational institutions should be that of promoting the general educational program in the publicly supported schools, colleges, and universities. After the allocation to States or areas has been determined, then the local distribution should be handled entirely through a single State government agency, the State department of education. I believe it should be left to the discretion of each State department of education how the distribution within the State should be made, whether to assist in developing educational activities in "backward areas," to promote research, or to improve the general educational program. It is a matter of relatively little importance what percentage of the current market price educational users would pay for such property, for the taxpayers are paying for this, anyway. However, to promote the best use of such property before it becomes obsolete or unfit for use, it seems that it should be made available to publicly supported educational institutions at a small percentage of the current market price. It goes without saying that publicly supported educational institutions should be prohibited from the resale of such equipment, and that they should be required, under the supervision of the State department of education, to maintain and use such property economically and efficiently.

(6) Property which is susceptible to educational use, if sold commercially, should be sold at the full current market price. However, to promote educational development and to keep from glutting the commercial market, it would seem wise that all such property that can be economically and efficiently used for educational purposes should be allocated to the publicly supported schools, colleges, and universities before any of it should be made available to the commercial market. As I have said before, it makes little difference whether the transfer of such property be made with or without a charge against appropriated funds to a Federal agency, except insofar as the agency uses such property in its own operations. I believe that if the allocation of materials by States or small areas, which I advocated near the beginning of this letter, were adopted, and the State departments of education within each of the States were charged with the allocation of such surplus property within that State, then a Federal administrator, such as the Commissioner of Education, should have over-all supervision and control of the disposal of surplus properties useful in educational activities.

In the foregoing paragraphs I have spoken only of the distribution of surplus properties useful in educational activities to publicly supported schools, colleges, and universities. However, it would, of course, be wise to make such properties available to privately supported schools, colleges, and universities for a consideration of some percentage of the current market price. Since such schools are privately owned and operated, they probably should not be able to secure these surplus properties at so small a percentage of their current market value as suggested above for publicly supported institutions.

I shall be pleased to be of any further assistance that I may to your committee, and to answer any further questions you may wish to ask.

Yours sincerely,

JOHN E. COXE, *State Superintendent.*

DEPARTMENT OF EDUCATION,
Baltimore, Md., August 22, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, Committee on Military Affairs, United States Senate, Washington, D. C.

MY DEAR SENATOR MURRAY: I have received your letter asking certain questions relative to the disposal of post-war surpluses as such disposal may affect education. I am happy to make the following comments on the various questions:

1. There are two types of surplus property which are most likely to be of service to the educational program.

(*a*) Certain school buildings which have been built under Lanham Act funds to meet war needs. Where the housing which these school facilities are to serve is permanent in character, there will continue to be a need for these school facilities. It is my understanding that these are now under custody of the Federal Works Agency where they have been built under Federal construction.

(*b*) Schools can profitably use a wide and varied list of consumer goods. A complete listing would be almost impossible. Schools would find excellent use for such items as machine tools and equipment for shops, motion-picture projectors, typewriters, office machines, laboratory equipment, precision instruments and testing equipment, etc. These would now be under the control of both the Army and Navy.

2. There would be, in my opinion, little opportunity for participation by Federal agencies in the utilization of such surplus property in relation to education. Such items are used at the local level rather than at the Federal level. The exception would probably be possible use of some of this material in Indian schools and schools in some of the territorial possessions.

3. I think it advisable to have control of all surplus consumer goods vested in the hands of one agency. I think, however, that it would be very proper for this agency to delegate certain authority to the United States Office of Education for disposal of certain classes of items. There would need to be at the Federal level some agency to pass on the relative needs between the States, etc. Educational questions involved should be handled through regularly constituted educational agencies at the Federal and State levels.

4. (*a*) In my opinion the Federal educational agency could use very little property directly in its own operations.

(*b*) I think that the United States Office of Education should be the agency to coordinate the requests and make allocations among the various State and local educational agencies.

5. Policies to be followed:

(*a*) In addition to strengthening the educational program in the so-called "backward or economically underprivileged areas," it is highly important that these surplus materials be used to permit other school systems to catch up on deferred maintenance, replacement, and modernization of equipment, and to provide facilities needed for the improvement and the expansion of the educational program.

(*b*) The problem of dealing with each individual school district would be exceedingly large. The needs of the various local districts should be coordinated at the State level by a State educational agency. If a similar program is followed for other governmental services, this State educational agency should in turn coordinate its request and activities relative to surplus with the over-all State agency, or be authorized by the State agency to handle the educational aspects.

(*c*) Property should be donated to tax-supported schools. Canada has already taken steps to make similar donations of its surplus war property to Canadian schools. As a condition to receiving donations, schools should be required to maintain their usual procurement program, i. e., to spend the same amounts of money as they have been accustomed to spending for supplies and equipment. This will insure the continuance of those businesses concerned with school supply. If the surplus properties are sold to schools, schools will use such a large percentage of their limited funds to buy post-war surpluses that the school-supply business would certainly suffer. The proposal of donations, plus the requirement of maintaining the usual procurement program, will enable schools to catch up needed replacements, deferred maintenance, modernization, and to provide facilities for improvements and additions to the educational program without hurting the school-supply business.

(*d*) All appropriate equipment should be subject to donation and not sale.

(*e*) In addition to the requirement of maintaining the usual volume of procurement there should be a prohibition against resale, at least for a 3- to 5-year period. I would see no objection to permitting the Government to recapture the property if urgently needed for the use of the United States Government. Where the equipment is to replace other obsolete equipment, the Federal Government should be given a right to capture the equipment replaced or to set up restrictions against the sale of the obsolete equipment which is being replaced. For example, if a school replaces 100 old typewriters with 100 new typewriters from Government surplus on a donation basis a condition might well be set up to prevent dumping the 100 obsolete machines on the market. No such condition should be imposed if the surplus property is sold to schools and not donated.

6. (*a*) The need of the United States Office of Education for such surplus commodities to be used directly in the educational program is negligible. Their needs are for equipment and supplies to be used in the administrative aspects only.

(*b*) As concern property to be used by the United States Office of Education directly, the same conditions should apply as to other Federal departments. Parenthetically, I might state that it would probably be good business on the part of the Federal Government to encourage greater use of surplus materials by the various Federal agencies by making greater concessions in price to the Federal agencies. In many cases it is probable that Federal agencies could use material if it were offered to them at the low prices which will probably characterize some sales on the open market. Any property for use directly in an educational program under another Federal agency such, for example, as for Indian schools, should probably be on a donation basis.

(*c*) Since education is primarily a local function, the needs of the United States Office of Education, as indicated above, are very limited. For educational functions performed by the Veterans' Administration, etc., they should have first call on all material. However, we would object on the basis of policy to setting up, aside from educating veterans, educational agencies at the Federal level to carry out educational programs, as was done under the National Youth Administration, etc.

(*d*) The over-all Federal administrator should not be given unlimited authority to determine the allocation of surplus properties as between (1) educational uses, (2) other public uses, and (3) commercial disposition. This is primarily a matter of policy which should be covered in broad outline by legislative action of Congress. Within the framework of the policy as laid down by the Congress, the Administrator should be given the necessary authority. An Administrator who is primarily interested in realizing the greatest possible monetary return without regard to the social, economic, and commercial results of his policy might very well bring about a condition to remedy which the Government would be compelled to expend sums far in excess of those realized from the sale of surplus property. It is highly important that legislation consider the effect of disposal of surplus property on business and on the general social welfare. Such considerations should not be left to the surplus property administrator since there would be no assurance that he would give the proper weight to these important considerations other than those of immediate financial return to the Federal Government.

In closing, let me say that I think the program I have sketched above merits favorable consideration of Congress as regards the donation of property to schools. It will serve a highly important social purpose; it will stimulate business and assist in the readjustment to a healthy economic pattern and will be fair to the taxpayer, since the taxpayer will get the full benefit of any property which is donated to tax-supported educational institutions.

I greatly appreciate the opportunity of presenting these data.

Very truly yours,

JOHN W. LEWIS,
Assistant Superintendent.

THE COMMONWEALTH OF MASSACHUSETTS,
DEPARTMENT OF EDUCATION,
Boston, August 24, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

MY DEAR SENATOR MURRAY: I have at hand your letter of August 17 requesting suggestions for the educational use of property originally acquired for war needs but no longer needed for such uses. I shall attempt to answer as best I can at this time the specific questions which you raise.

(1) It is somewhat difficult to enumerate the types of surplus property that are most likely to be useful in educational activities without having a list of surplus properties that are likely to be available. It is certain that any materials that normally would be used in an educational institution such as moving-picture projectors and films of educational value; duplicating machines; first-aid items; shop equipment such as lathes, saws, welding equipment; machinery used in the metal trades, electrodynamics, automobile mechanics; radio equipment; food-processing equipment; school desks; folding chairs; blackboards; paper; books and manuals of instruction; chemicals usually employed in chemistry laboratories of high schools and colleges; physics apparatus; and typewriters are some of the materials useful in education that come to mind.

(2) It seems to me that Federal agencies now in possession of such surplus property could not very well participate in the distribution and utilization of such property for educational purposes except through a Federal collecting agency which would handle as indicated under question 6 (*d*) of your questionaire the distribution of all surplus materials.

(3) The responsibility for the disposal of surplus property to educational users should definitely be vested in the Federal Office of Education, and Congress should authorize the transfer of such property to the Federal Office of Education.

(4) If such a transfer takes place, (*a*) very little of the property should be used by the Federal Office of Education; (*b*) almost the entire amount of property should be distributed among educational institutions and agencies which directly serve the youth of America.

(5) Question 5 with its subdivisions raises certain difficult economic problems in the post-war economy. Since the materials available for distribution have already been paid for or are being paid for through public taxation, it would seem that school systems and institutions should be permitted to purchase appropriate materials at a nominal cost. Were the market to become immediately abundant in all kinds of goods needed by the schools of the Nation, it would be impossible because of lack of funds for educational purchasing agents to take care of school needs that have developed in increasing amounts since Pearl Harbor. On the other hand, this program of distribution of surplus property should bear in mind the effect upon manufacturers and distributors of commidities used in educational activities in the post-war years.

(*a*) To that end some program of varying standards and criteria of ability to pay for materials should be worked out by the distributing agency which would permit the backward areas and the less privileged States in their ability to support education to purchase materials either free or at very low cost. On the other hand, those communities which have shown initiative and progress in the development of strong programs of education should also be given the opportunity to buy at somewhat higher rates educational materials.

(*b*) Distribution of surpluses within the States should be handled entirely through State Government agencies. The logical agency for the distribution of educational surpluses would be the State departments of education.

(*c*) In general covered by the discussion under (5) above. Private schools, colleges, and universities should have the privilege of buying surplus equipment at reasonable prices to be determined by the Federal Office of Education sitting with the American Council of Education, for example.

(*d*) Equipment which has been changed in design or is obsolete should be made available wherever it is possible to modify, repair, or use same in educational activities.

(*e*) The original plan of distribution should include provisions whereby the material is released to the local unit only when the local unit can guarantee the need, probable use, and continued maintenance of the material.

(6) There are certain types of surplus materials for which educational agencies have little or no use. These types should be made available for other agencies than educational ones.

(*a*) The question is not entirely clear to me.

(*b*) The answer is "Yes."

(*c*) In general the answer is "Yes."

(*d*) As indicated above, it would be my definite judgment that an over-all Federal administrator with an advisory board representing the major interests involved, i. e., educational interests, other public departments, commercial agencies, should be given the authority to determine the allocation of all surplus properties.

I hope that these suggestions and opinions may be of some value to you in solving this very large problem.

Sincerely yours,

JULIUS E. WARREN,
Commissioner of Education.

MASSACHUSETTS TEACHERS FEDERATION,
Boston, August 21, 1944.

Hon. JAMES MURRAY,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MURRAY: Thank you very much for your letter of August 17 which you sent to me as chairman of the War Contracts Subcommittee. I presume that this form letter was sent to many people in the education field to get their views as to disposal of surplus war materials and I think that this inquiry on your part is most commendable.

Frankly, I do not feel able to answer all the questions which you asked, and would make the general reply that I would be confident that the judgment of the United States Office of Education, the National Education Association, and the American Council on Education would be entirely adequate.

The executive secretary of the National Educational Association is Dr. Willard E. Givens, and the president of the American Council on Education is Dr. George F. Zook. Probably you have already invited their views.

It seems to me that responsibility for disposal of surplus property to educational uses should be vested in the United States Office of Education, and that Congress should authorize the transfer to this office all the surplus property that could be devoted to educational activities. I think that the United States Office of Education should distribute the material in such ways as to assist school systems that do not ordinarily have funds with which to buy adequate school equipment. In other words, I think backward areas ought to have a chance.

I feel that the State departments of education should be the agents within the States to cooperate with the United States Office of Education in the distribution. Also, it seems to me that public educational institutions ought to receive war surplus goods without cost on the principle that the taxpayer has already paid for these surplus goods once.

Again thank you for seeking the views of people in the educational field. In my own case, I would go along with the judgment of the three educational agencies mentioned in the first part of this letter.

Respectfully yours,

HUGH NIXON,
Executive Secretary.

UNIVERSITY OF MICHIGAN,
Ann Arbor, August 21, 1944.

Dr. ALEXANDER G. RUTHVEN,
President, University of Michigan, Ann Arbor, Mich.

DEAR DR. RUTHVEN: After some delay the Committee on Procurement of Surplus Government Property has studied the letter addressed to you on August 5 by James E. Murray, chairman of the War Contract Subcommittee of the United States Senate.

Perhaps the simplest way for us to give you our suggestions is to give our answers to the questions raised in that letter. The committee has studied these questions one by one and the answers we recommend are as follows:

1. Large universities will be interested in practically every sort of surplus property except actual combat equipment and very large production machines. The university will be especially interested in all types of laboratory apparatus, office equipment, instruments, metal working machines, automobiles, small buildings, lighting fixtures, electronic devices, special apparatus for visual education, pumps, and power plant equipment. This list is not inclusive and is intended to be merely an indication of the breadth of our needs.

2. Federal agencies should participate in programs involving utilization of such property for educational purposes only insofar as the agencies send men for training to established educational institutions.

3. The disposal of surplus property for educational uses should not necessarily be vested in a single Federal agency such as the Office of Education. Such an arrangement might work well in dealing with primary school systems, but some way should be left open so that institutions such as this university could deal directly with Federal bureaus, agencies, or divisions of the armed services which hold the surplus property.

4. (*a*) If a single Federal agency is authorized to hold surplus property susceptible of educational uses, then in our opinion that agency should not use the property directly.

(*b*) That agency should distribute all the property among established educational agencies and institutions so far as it is needed by them.

5. (*a*) The material should be distributed to the established schools which will be required to take the sudden influx of students.

(*b*) It might be advisable to require primary schools to deal with the Federal Government through some Government agency. However, State universities and land-grant colleges, and other tax-supported institutions of this size, should be permitted to deal directly with Federal agencies, bureaus, and divisions of the armed forces.

(*c*) Wherever the need is certified for tax-supported institutions, the material should be given to them without cost. Such institutions should not be asked to take surplus materials on consignment.

(*d*) Equipment which has been changed in design or is obsolete should be obtained under the same conditions suggested under (*c*).

(*e*) Surplus property should be given to tax-supported institutions which certify a need without any provisions as to resale or recapture.

6. (*a*) Surplus property susceptible to educational uses should not go to any Federal agency except one designated to dispose of it or hold it for future defense needs.

(*b*) See answer to (*a*).

(*c*) Surplus property should be used to satisfy the needs of any Federal educational program before being allocated to any commercial institution, but such a program should be carried out through existing educational institutions so far as they can fill the need.

(*d*) The allocation should be determined by an over-all Federal administrator or administrative board.

Respectfully submitted,

R. A. DODGE,
Chairman, Committee on Procurement of Surplus Government Property.

SAGINAW PUBLIC SCHOOLS,
Saginaw, Mich., August 23, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR MR. MURRAY: Thank you for the opportunity presented in your letter of August 28 for me to submit an expression of our opinion on the disposition of surplus property. Following through your questions in numbered order, I would answer them as follows:

1. The types of property most useful to educational activities would be business machines and material for training students for employment in business—typewriters, adding machines, bookkeeping machines, etc.

For vocational training, such equipment as lathes, drill presses, all machines common to varied manufacturing, hand tools, paints, varnishes, and finishing materials. For practice the schools need steel stocks of various types. For training in architectural and machine drawing—drawing instruments and materials of that type.

The schools need public address systems, motion picture and projection machines, radios.

For offices—such material as filing cabinets, safes, etc.

For school operation—scrubbing machines, ladders, and other maintenance material.

Recreational equipment.

It should be realized that, due to the war, the schools not only were handicapped for finances, but have exhausted practically any stocks of materials they had on hand. All this material would be in the hands of the Army and Navy supply.

2. Since there is such a wide variety of materials in the hands of each unit of government, it might be well to establish a clearing house and have applications setting forth the need and value of school requests pass through it for clearance to the agencies in charge of surplus property. In order to guarantee a distribution of supplies on the basis of need, applications for school materials should clear through some such department as the State department of public instruction or the vocational educational department, or both.

3. A central distribution committee could be established in connection with the Office of Education or the National Vocational Education Department to which surplus property could be transferred for distribution.

4. (*a*) The agencies should be permitted to use only that portion of the property which is necessary in carrying out the disposal of the surplus.

(*b*) Materials should be distributed on the basis of need, determined first through application, then through investigation.

5. (*a*) The purpose of the distribution should be the expansion of present facilities to offer a better program. The great need in the country is a centralization of school training centers rather than an encouragement to backward

areas poorly equipped with instructors and having no outlet for their finished product. Established centers are in a better position to give better and more serviceable training with better equipment. Placing machinery in a backward community is more often a waste than encouragement. The desire should come from the section enthusiastic about deevloping a program, but lacking the equipment.

(*b*) Distribution in the State could be best handled through the department of vocational education or department of public instruction.

(*c*) Schools are not in a position to pay even a nominal price for equipment. It should be realized that war taxes have sapped local ability to pay and that severe financial obligations have been placed on the schools to train for war industries. Inasmuch as schools generally throughout the country do not have the finances to purchase this material, except in certain instances where it is least needed, it would have little influence with the curtailment of business and manufacturing, because schools would not buy this material anyway.

(*d*) Certainly in this mechanical age, schools should not be given obsolete equipment. For instance in many of our shops we still have machines given by the Government after World War No. I and it has been necessary to continue the use of these machines although they were not a satisfactory instrument of instruction for training in this war. As long as people in a community have obsolete equipment that will run, they are not willing to furnish modern, up-to-date equipment for schools. To place obsolete equipment in newly opened educational institutions should be the last project that the Government should sponsor.

(*e*) There should be a promise of no resale and the Government should not recapture this material as long as it is used for the purpose it was given to the schools and an affidavit should be given as to the agreement.

6. (*a*) No.
(*b*) Yes.
(*c*) Yes.
(*d*) No.

I shall be glad to go into greater detail if it is desirable from the standpoint of the committee. Thanking you for the opportunity to present our opinion, I am,

Yours very truly.

CHESTER F. MILLER,
Superintendent of Schools.

MARSHALL PUBLIC SCHOOLS,
Marshall, Minn., August 22, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR MR. MURRAY: In response to your letter of August 18, I shall set down a few thoughts relative to the problem involved.

(1) It would seem that the surplus property most useful to the schools would be that type of equipment which could be used in the special departments. I am thinking of machinery and equipment for industrial arts, vocational training, home economics, and commercial work; also material and equipment used in all types of visual education.

(2) The existing agencies in the field of education, namely, the United States Office of Education, the several State departments of education, and the individual State units now in the field of public education, not parochial, should be charged with the responsibility of utilizing such property to the best educational advantage.

(3) It is my opinion that disposal of this property which can be used in education should be through the Federal Office of Education and the State departments of education.

(4) The United States Office of Education should use what property necessary in its own operation and bring equitable distribution of the rest among public education institutions throughout the country.

(5) In the field of education, we must think in terms of the entire population of our country, not in terms of sections or States. If there are "backward" areas which need more help in addition to their own conscientious efforts to help themselves; these areas should be favored. The distribution should be handled through the State departments of education.

This property should be distributed to the public education institutions at no cost, if this is at all practical. The taxpayers of our country have already paid a

good price for this material. Distribution would have to be arranged over a period of years and in such a way as to not entirely put out of business those agencies engaged in manufacturing this equipment for normal consumption. These agencies, however, have had good profit in making the existing equipment.

(6) There should be no Federal education program such as has been carried out under the National Youth Administration and other similar agencies. This money, material, and equipment should be made available to the States through the United States Office of Education and State departments of education, and the existing educational agencies be charged with the full responsibility in the field of public education.

Very truly yours,

PAUL S. WILSON, *Superintendent.*

UNIVERSITY OF MINNESOTA,
Minneapolis, August 17, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, Committee on Military Affairs, United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: This is in answer to your inquiry of August 5 concerning the disposal of Government property useful for educational purposes. I can make only a partial reply, since I am familiar with only a few aspects of the problem. I shall number my comments to correspond to the numbers of your questions.

1. *Types of surplus property.*—These are (*a*) specialized types, such as textbooks and instructional laboratory equipment, useful only for educational purposes, and (*b*) nonspecialized types, such as office equipment, motor vehicles, land, etc., useful in many fields as well as educational. The specialized types, I believe, are largely in possession of Army and Navy authorities in charge of college war-training programs such as Army student training program, premeteorology, Navy V–12, and also the United States Armed Forces Institute.

2. During demobilization the United States Armed Forces Institute can doubtless use some of the "specialized equipment" in the overseas or home instruction of servicemen. Much can be used in veterans' hospitals and rehabilitation centers for a long time to come.

3. In the case of specialized equipment unified responsibility for the disposal might well be vested in a single agency such as the Office of Education. Congress should probably authorize the transfer of specialized property to this agency. Nonspecialized equipment should be pooled with other surplus property and handled in the same way as other property.

4. (*a*) The agency should not attempt to use the specialized property in its own operations.

(*b*) See the answer to 5 (*a*), below.

5. (*a*) The most feasible way of using specialized equipment to produce a really valuable educational result would be to distribute it in "backward areas." These backward areas should not be considered as geographical. Thousands of Carnegie, hospital, and other public and high-school libraries in small towns all over the country are practically without funds for the purchase of new books. A real demand exists in them for technical and other books, and under ordinary conditions this demand cannot be met. Laboratories in high schools and small colleges are lacking in demonstrational apparatus. A great service to education would result if small public and school libraries and laboratories were to be furnished with lists of available books and apparatus from which they could make a free selection. The number of sets of apparatus or of copies supplied to any one laboratory or library should be limited to the potential use for demonstrational or reference purposes. This would ensure the widest educational contribution and would avoid the temptation existing in some schools to make a choice of apparatus or textbooks on grounds of mere financial expediency. This last policy, when it exists, is detrimental rather than helpful to the education of students.

Some large companies, in particular the Western Electric Co. in their "gift service" have had some experience in distributing their obsolete or surplus materials free to public institutions.

Apparatus useful in research should be made available to any institution requiring it.

(*b*) State library and education offices might well be used in circularizing lists of available books and equipment to libraries and schools, and in taking

their applications for it. To secure uniformity, actual distribution should probably be made directly by a Federal agency.

(*c*) If the suggestion under (*a*) is adopted, the cost to small libraries and schools should merely cover the cost of distribution. Otherwise the purpose would be defeated. Research apparatus would be used chiefly in large institutions, which might well pay the market price for used material.

(*d*) Equipment which has been changed in design or is obsolete should never be distributed to institutions in large quantities. The reasons expressed at the end of the first paragraph of 5 (*a*), above, are especially potent in connection with such material.

(*e*) No conditions should be imposed with regard to maintenance and use other than that the material should be made generally available for reference and demonstrational work. Resale should be forbidden. Recapture by the Government would be unwise.

6. Nonspecialized equipment should be disposed of commercially.

(*a*) The amount of specialized equipment acquired by the Federal agency in charge of the educational program should not be limited by the amount of appropriated funds.

(*b*) The transfer of specialized property without charge against appropriated funds should be authorized by Congress.

(*c*) Yes; the full needs of education should be satisfied before the property is allocated to commercial distributors.

(*d*) No. In order to make a good-looking financial record, an over-all Federal administrator would probably waste dollars of educational value to save cents on the balance sheet.

Sincerely yours,

R. W. BRINK, *Chairman, Department of Mathematics.*

MINNESOTA EDUCATION ASSOCIATION,
St. Paul, August 28, 1944.

Hon. JAMES MURRAY,
Chairman, War Contracts Subcommittee, Washington, D. C.

DEAR SENATOR MURRAY: I have attempted to answer your inquiries in order as they appear in your letter of the 18th inst. There are a few considerations that should be considered in the light of the answers given. Education is basic in our Nation. All areas are not equally able to provide educational service to its children. The best educational programs of any area are not too good for the children of all other areas. Financial difficulties preclude the providing of adequate instructional equipment in many sections and communities. The Government has in this surplus property much educationally useful material which can best serve the greatest number by being made readily available to the schools of the Nation.

The schools have served the Nation well in the war emergency. They have adapted their courses to meet military needs. The coming of peace, instead of easing the demands on the schools, will still further complicate their problems. The schools will be caught between increasing demands for special services and inability to adequately equip the special departments necessary, to say nothing about the costs of maintenance. Surplus commodities can help ease the load in the matter of equipment and supplies to an extent.

Please note further that the replies are not complete. Space is inadequate. I hope they may indicate general directions of thought on the matter involved. Referring, then, to the questions without restating the same, I would say:

1. Science and laboratory equipment and supplies; geography materials such as maps, charts, globes; machinery and equipment for shops, vocational schools, agriculture departments, home economics, commercial and office demands, health equipment and supplies, psychological materials, playground, gymnastic, and athletic equipment; motorized equipment such as cars, trucks, tractors. This is a partial list of materials in charge of Procurement Division, Treasury Department, in charge of war materials.

2. Make educationally useful materials available through the United States Office of Education and thence to the various State departments of education.

3. Yes; in each instance.

4. (*a*) While the materials should be primarily for distribution, the small amount the distributing agency would or could use would be so insignificant that need not be denied.

(*b*) Through the State department of education, which is best able to determine needs within the respective States.

5. (*a*) The State department of education should determine the basis for useful and needed distribution. Priority should be given to States and areas now financially unable to support an enlarged educational program. Special consideration should be given to distribution for purposes of research.

(*b*) Entirely through the State department of education.

(*c*) This is tax-paid-for property and should be used for the benefit of the people. That can be best accomplished by devoting the property to education. No individual or group of individuals should be permitted to reap a profit at the expense of the public which has already paid the bill. Give it to the schools.

(*d*) Let educational authorities be the judges of usefulness or obsolescence of equipment or materials and make available that which is educationally useful.

(*e*) The property must be used for educational purposes without right of resale for a reasonable and sufficient period of time (probably 5 years). The Government should in all cases have priority of recapture.

6. (*a*) No. Let education have a free hand, limited only by the ability to make useful placement.

(*b*) Yes. The users would be constituted representatives of State and National Governments.

(*c*) Satisfy the needs of the United States Office of Education and the established needs of the respective States as agreed to by the respective State departments of education, dealing with the United States Office of Education, before making any educationally usable property available in commercial channels.

(*d*) No. Let education have unlimited access to educationally useful material without deterrence by a Federal official outside the United States Office of Education before any material is made available for other purposes.

In conclusion, I wish to state that the respective State departments of education are the best authorities on the educational needs of the States. Their knowledge should be used. The Unied States Office of Education is the closest Washington authority with respect to education, and dealings between and among these authorities would be conducted on a plane of mutual understanding and confidence.

Respectfully yours,

WALTER E. ENGLUND, *Executive Secretary.*

DEPARTMENT OF PUBLIC SCHOOLS,
STATE OF MISSOURI,
Jefferson City, August 29, 1944.

JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR MR. MURRAY: I shall be glad to give you the views of our department on your questions of August 17, 1944.

1. There will be many types of surplus property useful in educational activities. I shall not attempt to list them. Most of this property will be in possession of the Navy and the Army.

2. The Federal agencies in possession of this property would find it very difficult to participate directly in the programs of education in order to utilize this property.

3. Congress should authorize the transfer of this property in such a way that it can be devoted to educational activities. We would not favor a transfer to some agency that would have the power to determine what is to be done with it.

4. (*a*) The Federal agency should not in any way use the property directly in its own operations.

(*b*) The agency should distribute all the educational property to educational agencies and institutions.

5. (*a*) This property should be distributed to assist backward areas in education, to promote research, to aid vocational education, and to aid general education.

(*b*) The distribution should be handled on the State level 100 percent through State boards of education.

(*c*) The terms of distribution should be either nominal sum or on a gift basis.

(*d*) Institutions should be permitted to acquire equipment that is obsolete under the same terms as those mentioned under (*c*) above.

(*e*) Schools should not be permitted to receive the property as a gift and then resell it. If it is no longer needed, it should be subject to recapture by the Government.

6. (*a*) Surplus property acquired for the educational program should not be limited by the amount of appropriated funds available to the agency for such acquisition.

(*b*) The transfer of surplus property to an educational agency should be without a charge against appropriated funds.

(*c*) The Federal educational agency should be given the opportunity to satisfy the full needs of the Federal educational program before the property is allocated to commercial disposition.

(*d*) Congress should determine the allocation of all surplus properties whether they are to go for educational uses, other public uses, or commercial disposition.

I hope that this will be of some help to you. This expresses the views of our best educators in the State Department of Education of Missouri.

Very truly yours,

ROY SCANTLIN, *State Superintendent.*

MONTANA EDUCATION ASSOCIATION,
Helena, Mont., August 29, 1944.

Senator JAMES E. MURRAY,
Washington, D. C.

DEAR SENATOR MURRAY: I am sorry that I have not answered your letter sooner but it came while I was absent from the office and did not have an opportunity to reply. I am afraid that my reply in the first place is too late to be of any value to you as I understand that the surplus material bill is now before the Senate and will be disposed of probably before this letter reaches you. However, I shall give you some brief remarks which will supplement my testimony before your committee on last May 5. I believe I covered these points quite fully in that testimony.

Under No. 1 I would list again all of the items that I listed before that committee in May. This will include material all the way from mimeograph paper up to airplanes including all things suitable for educational purposes that the various departments may have.

On point 2 I do not know just to what extent the agencies in possession of such surplus property could participate in the program for educational purposes. It appears however, that when it comes to recreational camps and military equipment that there is a possibility that these can be utilized and used should military training be adopted as part of our educational program. Also camp facilities could well be utilized for physical education and health programs as well as for recreational purposes, but it would require careful investigation to determine the extent. I believe that the Office of Education could well be trusted with the responsibility of handling the distribution of these surpluses when they have been determined and made available by those now holding such material. I think the important thing in this phase is that the Office of Education would be the best qualified to secure the information as to what material would be useful, available, beneficial, and needed in the various States and schools. I believe that the surplus materials should be transferred by congressional authorization to the agency, preferably the Office of Education.

Under item 4 (*a*) I would say that every Federal agency or office should make use of all the supplies and equipment that they need from the war surpluses, prior to any being distributed to agencies. Under (*b*) I would say that the surplus material should be distributed to the educational agencies and institutions strictly on the basis of need and usefulness of the material for that particu ar agency or institution. I do not believe that surplus war materials should be distributed so that they would interfere with normal business and jobs for our veterans and war workers.

Under 5 (*a*) my answer would be that we should utilize these surpluses and they should be distributed to assist the poorer schools which need the help most. They should be used first to help carry on the normal functions of education which cannot be financed by local and State funds. Second, they should be used to develop educational activities beyond the minimum standard program such as vocational education, health and physical education, and so on. They cer-

tainly should be distributed to higher institutions that would carry on research work in all fields. This is very important. Under (*b*) I would say that State government agencies, mainly the State department of education, should be held responsible for distribution within the States for they are best informed as to the need and value of this equipment to the schools. Under (*c*) needy schools should not be asked to pay a sales price for this material. If there are schools which are financially able to purchase supplies and these are made available I think there should be a purchase price. Such materials made available should be purchased at a reasonable price so that it would help improve our educational facilities and not be a replacement of work already done. Under (*d*) it would appear to me that equipment which has changed in design or is obsolete would not be of too much value to the schools unless up-to-date equipment were not available. Probably obsolete equipment should be scrapped. I believe that any material which is granted to schools for use should be left in the title of the State so that it could be transferred from one school to another if and when the use of such items has become unnecessary in a school. It should always be available to be used where needed.

Under 6 a surplus property should be distributed on the basis of need and not ability to acquire. The more limited a school is in its finances the more consideration it should be given. Under (*b*), yes; Congress should authorize the transfer of surplus where needed without a charge. Under (*c*), yes; the Federal educational agencies should be given the opportunity to satisfy the full needs of the Federal educational program before turning property over for commercial distribution. Under (*d*) it appears to me that it would be necessary for some over-all Federal administrative agency to determine whenever there is a dispute as to whether surpluses should be distributed for educational uses, other public uses, and commercial disposition.

I have hurried replying to this and may not have been as complete as possible but I hope that my suggestions will be of assistance to you. My letter should reach you within the 2 weeks you requested. If I can be of further assistance, I shall be glad to have you call upon me.

Sincerely yours,

M. P. MOE, *Executive Secretary.*

GOTHENBURG PUBLIC SCHOOLS,
Gothenburg, Nebr., August 23, 1944.

Mr. JAMES E. MURRAY,
Senator from Montana,
Chairman, War Contracts Subcommittee,
Washington, D. C.

DEAR SENATOR MURRAY: Thank you for your correspondence of August 18 regarding disposal of surplus war equipment and property. I shall answer your questions only so far as I feel capable. Many of them involve considerations of which I have little knowledge.

There are educational agencies already established through which surplus materials valuable to educational institutions can be channeled. Beginning with the United States Office of Education through the State departments of education to the local school districts. I believe it is as simple as that. Local school officials know their own State departments and the State departments know local needs. Application or requisition could and should be made that way. It would avoid a waste of valuable material where it is not needed or used to capacity. I would place the approval of all requisitions squarely on the shoulders of the State superintendent of public instruction. He should be the responsible person in every State.

The American people have paid for this war material and property. They should not be asked to pay for it again through school taxes. Where educational institutions can show genuine need and full utilization it should be given to them. The schools belong to the people and they are entitled to what they have paid for.

No "strings" should be attached by the Federal Government as to how or by whom this material is to be used. That is, schools should be free to use it in a rehabilitation program, adult education, or in common school training. It should be specified only that it go to tax supported institutions which can show need and have the approval of the State department of education. Federal agencies should not be permitted any authority over local use of materials and

property. The history of education in the United States clearly shows that education is the responsibility of the States (article X of the Constitution) and further encroachment by Federal agencies is most undesirable.

Educational institutions should not be permitted resale of surplus war equipment. Competition of such on the open market should be prohibited. I do not think that schools should have more than they can use but should be given priority to acquire all they need. The need for such material is great and the generally limited financial conditions of local school districts has prevented equipping schools for a full program of training. War and rising Federal taxes make it increasingly hard to meet demands of local school districts.

The full needs of educational institutions should be met before the property is allocated to commercial disposition.

RECAPITULATION

1. The Federal Office of Education should survey the needs of the States by calling for a report from the State departments of education.
2. The State departments of education should determine local school district needs and those of the tax-supported State institutions of higher education, and submit report to Federal Office of Educaion.
3. The local school districts and the tax-supported State institutions of higher learning should make requisition, be investigated, and have the approval of the State department before receiving any property.
4. Federal agencies should release all title to the property to the State departments who, in turn, should release title to the several tax-supported institutions.
5. Right of resale should be prohibited within the useful life of the property.
6. No Federal agency should be permitted to say how or in what way the property is to be used by the educational institution. This is under local and State supervision once title is given.
7. Only tax-supported educational institutions should be given surplus property. Private or church schools should be granted right to purchase at cost before commercial firms acquire any educationally useful property.

May I add before closing that the American public school system can and will perform a great service in the rehabilitation program if given the financial aid necessary. We have the organization that no other agency has or can have. We have the executive skill and a reputation of honesty in serving the American people that canont be surpassed. As it is now we are limited only by finance. If we are permitted support unhampered by Federal dictation the future of American democracy is promising indeed. If not, there may be dark days ahead through which even the faith in the principles of democracy may be strained.

Your committee is to be congratulated on "going to the people" for their opinions on this matter. It seems to me that a new element of concern for education has entered into the thinking of lawmakers. Your committee can render one of the greatest services in the history of education at a most critical time if they see to it that education has priority on surplus war materials and that such materials are kept out of commercial channels. The American people back in the grass-roots country have a right to expect this.

Sincerely yours,

BARTON L. KLINE,
Superintendent of Schools.

ALBUQUERQUE PUBLIC SCHOOLS,
Albuquerque, N. Mex., September 5, 1944.

Mr. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, United States Senate,
Washington, D. C.

DEAR CONGRESSMAN MURRAY: Replying to your letter of inquiry, I wish to state that I think the surplus property most likely to be useful in educational activities is first, all types of laboratory equipment and supplies, machines and tools for all types of shop instruction, and machines that could be used in the upkeep of grounds and buildings.

I believe that this distribution could best be made through a single Federal agency with a State agency to handle the distribution within the State.

If his propery is distributed to educational institutions and public schools, it should be subject to call if a further emergency makes it necessary to use it for national needs. I think the State department of education in each State is the proper agency to handle the distribution within the State.

Very truly yours,

JOHN MILNE, *Superintendent.*

ROSWELL CITY SCHOOLS,
Roswell, N. Mex., August 24, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR SIR: In reply to your letter of August 18.

I shall try to reply briefly to each question in order as asked.

1. (*a*) Woodworking and metal working machinery.

(*b*) Visual-education material such as projection machines, film, charts, maps, etc.

(*c*) Furniture, such as desks, folding chairs, arm chairs, filing cabinets.

(*d*) Equipment that can be used by home economics classes and other technical classes.

(*e*) Scientific equipment, especially chemistry and physics equipment.

2. I doubt if much of this material can be used as well by Federal agencies in charge of this material as can be used advantageously by public school systems now established.

3. The responsibility should be vested in a single Federal agency and this agency should be held responsible to the Federal Congress. This agency should be a distributing agency and not one set up for use of this material.

5. (*c*) I believe that each State should make a survey through its department of education as to the amount of material needed. This survey should go to your committee; you would then know how much was needed and how this compared with the amount on hand that would be available. This survey should be made at once. I believe that educational users should pay the cost price of any material they receive plus the cost of transportation.

(*d*) In the case of so-called obsolete material, a fair appraisal should be put on the equipment by an uninterested board.

(*e*) If the school buys equipment at a fair price I do not see that maintenance and use and recapture enters into the picture. Schools should not be allowed to resell this material under a minimum length of time unless they have presented their case to the distributing agency and received permission to make the resale.

6. (*c*) Largely, yes; Wholly, no.

(*d*) Yes. Keeping in mind the survey made as to needs. There is danger and harm in requisitioning property for a project that is improperly planned. Only institutions in operation should be considered.

The manufacturers of this material must be considered. It will not do to put them out of business by selling to their buyers to the extent that their demand is eliminated.

The buyer who buys in large quantities with the idea of gaining a profit by a resale at higher prices must be guarded against.

Impractical schemes of education that have not been established, but which hope to be established to use this property, should be rejected.

The method of securing property, by established legal public schools, should be made simple and practical enough so that it will have wide distribution and use. This use should start now. There is and has been a shortage in many of these items for the past 5 years.

Trusting that this limited contribution will be of a little service to your committee in its large job, I am

Very truly yours,

J. D. SHINKLE, *Superintendent.*

THE NEW YORK STATE TEACHERS ASSOCIATION,
Albany, N. Y., August 19, 1944.

The Honorable JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, United States Senate,
Washington, D. C.

MY DEAR SENATOR MURRAY: I deeply appreciate the opportunity of writing you my reactions as to the distribution of war surpluses:

1. The following is a list of some of the types of equipment which would be useful for educational activities:

(*a*) Machine-shop equipment, including small tools.

(*b*) Aeronautical equipment, including airplanes, gliders, engine parts, etc.

(*c*) Electrical equipment, including radio, electronic equipment, motors, and motor-control equipment.

(*d*) Chemical equipment, including special laboratory apparatus, test tubes, retorts, etc.

(*e*) Testing equipment now used to analyze and test products for the Government.

(*f*) Automotive equipment, including trucks, jeeps, automobiles, tools, and servicing equipment.

(*g*) Woodworking equipment such as planes, lathes, saws, jointers, and small tools.

(*h*) Visual aid equipment of all kinds.

(*i*) Athletic equipment of all kinds.

(*j*) Dining room and kitchen equipment for school cafeterias and kitchens; portable field equipment, etc.

(*k*) Light metal equipment, including bench equipment, stamping machines, drills, cutting equipment, etc.

(*l*) Welding equipment, both acetylene and electric.

(*m*) Such other equipment as may be available to vocational schools.

(*n*) Office supplies such as furniture, mechanical equipment, typewriters, calculators, mimeographs, etc.

(*o*) Supplies such as books, maps, chemical supplies, laboratory, and photographic supplies.

(*p*) Supplies for welding such as tool steel, metal aluminum.

2. The Manpower Commission, Veterans' Bureau, and Office of Education, should cooperate for the education of men discharged from the armed forces and those demobilized from war industries.

3. Responsibility for the disposal should be vested in a single Federal agency. Congress should authorize the transfer of surplus property which could be devoted to educational activities.

4. (*a*) An agency should be authorized to use the property wherever necessary.

(*b*) The agency should distribute the property as widely as possible to educational agencies and institutions.

5. (*a*) The basis of distributing surplus commodities should be determined by the number of children and adults to be trained.

(*b*) The distribution should be made through the State department of education.

(*c*) The property distributed to public education institutions should be free, inasmuch as these properties have already been paid for once out of tax funds and therefore should be distributed free to tax-supported agencies.

(*d*) Some obsolete equipment could be rebuilt for educational purposes.

(*e*) Public agencies receiving such property should be responsible for their upkeep and maintenance and should not be permitted to sell. Equipment not found suitable should be returned to the Federal Government.

6. All public-school agencies should have priority in obtaining the surplus material. They should not be thrown in competition with commercial agencies.

6. (*b*) Surplus property turned over to public agencies should be without cost.

(*c*) The Federal educational program should be fully supplied before the property is allocated for commercial distribution.

(*d*) A single Federal administrator should be given authority to determine the allocation of surplus properties.

All of the public-school agencies have provided services for the war effort. The equipment used in furnishing these services has been provided very largely by the local units. After 4 years this equipment is pretty well worn out and the Federal Government, in making it possible to distribute some of the

surplus material to the schools, would help to repay them in part for their worn-out material.

Very sincerely yours,

ARVIE ELDRED, *Executive Secretary.*

STATE OF NORTH CAROLINA,
DEPARTMENT OF PUBLIC INSTRUCTION,
Raleigh, August 18, 1944.

Hon. JAMES E. MURRAY,
United States Senator, State of Montana,
Chairman War Contracts Subcommittee,
Committee on Military Affairs, United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: I am sure that I am conveying to you the sentiments of a large group of leading American educational administrators when, as president of the National Advisory Council on School Building Problems, I express to you my appreciation for an opportunity to present to you my viewpoint on the disposition of surplus property that will be helpful to the Nation's schools in the post-war era.

My answers to the questions which you raise are predicated upon the axiomatic premise that the education of our gallant American soldiers and those who have produced the materials necessary for successfully waging war has been one of the major accomplishments of the American people since the founding of the Republic. The over all job of education, which the American schools had done prior to the war, provided the foundation for the specialized educational programs carried on by the military authorities for a great majority of those who entered the armed services and made possible complete programs of education for the minority group that was wholly deficient in educational attainments.

Just as no other period in history has witnessed such universal attention to education as a fundamental factor in waging war, so must we exercise our efforts to carry out programs of education that will not only assure international peace, but will promote internal satisfaction, harmony, and high standards of living in America.

It has been demonstrated that ad valorem taxes are not adequate to provide a universal educational opportunity for American youth. The several States have recognized this by supplementing the current programs in varying amounts, but, by and large, providing capital outlay funds has been a responsibility of the local communities. The injustices and inequalities that exist as a result of this practice cannot be corrected immediately; indeed, years will be required to solve the problem. Therefore, it seems logical that since universal education is an imperative prerequisite for peacetime living, even as it has been for military victories, the Federal Government should—

(1) In cooperation with Federal and State educational leaders make a general inventory of surplus war materials that can be used advantageously by the schools in better carrying out educational programs. Certainly, there will be many materials in the following classifications that will be helpful for these purposes:

Transportation facilities; school desks; folding chairs; blackboards; paper; books of many kinds—textbooks and library books; chemicals usually employed in the chemistry laboratories of high schools and colleges; experimental equipment for physics laboratories; visual aids such as projectors and many films that are of educational value; duplicating machines; first-aid items, such as bandages and antiseptics; shop equipment, such as lathes, saws, and the like; with quantities of supplies employed in teaching welding, the metal trades, electrodynamics, aerodynamics, automobile mechanics, radio, food processing, and so forth.

(2) These surpluses should be under the general supervision of the United States Office of Education and should be made available to the local school units of the several States upon substantiation of need by the central educational authorities of the States through existing State agencies.

(3) There should be a minimum of overlapping of jurisdiction on the Federal level in the disposal of surplus property. The United States Office of Education is the one Federal agency that works in close and harmonious cooperation with State and local educational authorities and should be the sole Federal authority vested with responsibility to distribute surplus materials that may be used for educational purposes.

(4) In delegating authority to the United States Office of Education the Congress should stipulate that the Office is but a clearing house for the States with limited authority:

(*a*) To use the property directly for its own organization, or to make rules and regulations for its use by the several States. Certainly, the substantiated long-time practices of the individual States should prevail over tediously worked out procedures that would provide a uniform basis for all of the States.

(*b*) Allocations of surplus materials should be made to educational agencies and institutions upon the basis of need, which should in turn be predicated upon past requirements, with due allowances for their inability to meet a national average for such agencies and institutions. Due regard should be given to past courses of study and to the types and quantities of equipment heretofore utilized.

(5) In the distribution of surplus property to educational institutions, the Federal agency should—

(*a*) Study the educational background and history of the institution seeking the property. The equipment provided for institutions in so-called "backward areas" should primarily be for the purpose of helping such institutions to do better jobs in the fields in which they have been working. Medical schools, agricultural colleges, and other similar institutions should be provided equipment for research if they can show that they have been doing research in their areas, and that with present personnel or with personnel that can be readily secured, they can do more efficient work.

(*b*) Distribution of surplus property should be administered by State Governmental agencies, with limited supervision by the United States Office of Education.

(*c*) Since education is a problem of national concern, and since capital outlay burdens are wholly unequalized in the local school units, and in many of the educational institutions, surplus property should be distributed free of cost. It is not believed that normal capital outlay expenditures will be reduced as a result of this free distribution. It is very probable that allocations of surplus materials will stimulate these local units and institutions to purchase materials in excess of normal, since they will desire to meet their total needs, which are unlikely to be met by Federal allocations.

(*d*) Few changes have been made in the design of educational equipment since the war. Therefore it seems unlikely that many items will be obsolete if distribution is begun at the termination of the war. However, the State educational authority should be required to substantiate the usability of any item of equipment requested of the Federal Government.

(*e*) In general, Federal grants of equipment should be outright, but a certificate from the ultimate user—the State educational authority, local school units, and educational institutions—that it will be used and disposed of in accordance with existing practices and State laws should be required. Permission to sell property obtained as a grant from the Federal Government to agencies dissimilar in their activities to those that received it should be denied unless the cause for so doing can be substantiated and the permission of the Federal agency approving the grant of such materials is obtained.

(6) It is recognized that many items of Federal surplus property can be used by public agencies other than educational. However, it is contended that educational agencies are the most homogeneous groups in need of many of surplus materials and that they should have priority on those materials universally recognized as being essential to educational activities. Items that can be used by commercial concerns will be in competition with articles of like kind offered by private producers and distributors:

(*a*) In the allocation of surplus property to a Federal agency, no charge against the appropriation to that agency should be made except where such property is in lieu of funds requested by the agency to purchase such items. It is not believed that this problem will arise if the United States Office of Education is the Federal distributing agency for education.

(*b*) If an agency like the Federal Works Agency, which in the past has been provided with funds for grants to local governmental agencies, is allotted surplus property for distribution to these local agencies, the cash value of the property allocated should be deducted from the appropriation to the Federal Works Agency.

(c) In the distribution of surplus property for educational needs the Federal educational program should be provided for in full before the property is allocated to non-Federal educational agencies, since it would seem unwise for the Federal Government to give away property, duplicates of which would have to be immediately rebought.

(d) While it is believed the thesis can be maintained that the educational agencies of a Nation should have prior claim on surplus property that can be used for educational purposes, it is conceded that the wide over-all allocation as between educational and other agencies must be made by the Federal administrator of the total program. Once this is done, the distribution to local, non-Federal educational agencies should be made along the lines outlined above.

Please command me if I can be of further service to you and the members of your committee.

Very sincerely yours,

W. F. CREDLE.

THE NORTH CAROLINA EDUCATION ASSOCIATION,
Raleigh, N. C., August 18, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: I wish to thank you for your letter received this morning.

It is my opinion that public schools and other tax-supported institutions should receive from a tremenous stock pile sufficient equipment, such as tools, machinery, visual-aid equipment, and other supplies that will facilitate a proper and much-needed training program for the post-victory period. Since education today is faced with the tremendous tasks in the training and retraining of returning military personnel, the retraining of hundreds of thousands of war industry wiorkers and millions of young people to be trained for a new era—certainly, education needs assistance in doing a better job than it has ever done. Such demands of the public are reasonable and proper.

I shall answer your questions in the following manner:

1. Tools, machinery, visual-aid equipment, radios, electrical appliances will be needed in furthering the cause of vocational training and much of this equipment, etc., will be found with the mechanical and training service divisions of the armed forces.

2. The Veteran's Administration could well cooperate with public schools and tax-supported institutions by using this material in already regularly established channels. This would avoid duplication of effort.

3. The United States Office of Education is, in my opinion, the logical agency through which a Nation-wide training program and the distribution of surplus materials might be facilitated. I do think that such equipment as would directly assist an educational program should be directed through this agency.

4. (a) The Office of Education should be required to present acceptable plans for distributing those items of greatest need for training.

(b) The Office of Education should apportion to the several States such equipment and supplies as will, of necessity; contribute to training on the basis of population and needs. State distribution should be made by the constituted authorities directing the educational program in that Commonwealth since that State agency will be more familiar with the specific needs of the several localities.

5. (a) The purposes of distribution should be first of all to assist the "backward areas." Personally, I am not so strongly intrested in the idea of research.

(b) I repeat, final distribution should be made through State government agencies, such as the State board of education and/or representatives from other boards having the responsibility of directing the State's educational program.

(c) The property should be distributed free of cost to tax-supported schools and institutions since this property has already been paid for by the taxpayers. The only cost to the States should be transportation charges to the locality in which it is to be used.

(d) All maintenance cost should be paid by the local community, the equipment should not be resold, and in the event of recall by Government, transportation cost should be borne by the community or State.

6. (a) No funds should be appropriated to any Federal agency for the acquisition of these materials for distribution.

(b) The transfer of surplus property to the agency, such as the United States Office of Education, should not be charged against appropriated funds and such action should be authorized by Congress.

(c) All needs for the Federal Education Program should be met before any of the property is allocated for commercial disposition.

(d) A Federal administrator may be given authority to determine the allocatio nof surplus properties after a committee has been appointed to work with him in determining the educational needs, public uses, and commercial disposition. No one person should be given this authority without representative agreement of those involved.

Thank you for your splendid efforts in behalf of a most worthy cause. I sincerely hope that this valuable stock pile will not become a junk pile whereby a few crafty junk dealers can become rich at the expense of the Federal Government and hamper the educational opportunities of taxpayers throughout the Nation.

Very sincerely yours,

FRED W. GREENE, *Secretary-Treasurer.*

BISMARK PUBLIC SCHOOLS,
Bismark, N. Dak., August 22, 1944.

Hon. JAMES E. MURRAY,
Chairman War Subcontracts Committee,
Washington, D. C.

DEAR SENATOR MURRAY: I received your letter dealing with the disposition of surplus Government property. Undoubtedly a large amount of the property that will be surplus could be advantageously used by schools. I would like to answer your specific questions in the order in which you ask them.

I. Educational agencies should be able to use a large quantity of the following surplus property.

1. Office equipment of all types, such as typewriters, adding machines, calculators, filing equipment, comptometers, posting machines, etc.

2. Cafeteria equipment of all kinds for hot lunch programs. Also smaller items such as dishes, silverware, etc.

3. Stoves, sewing machines, and other small items for home economics departments.

4. Forges and tools such as wrenches, files, saws, hammers, etc., for vocational farm shops. Also tools and light equipment used to repair tractors and automobiles.

5. Band instruments of all types for music programs.

6. Radio equipment of all types—walkie-talkies, radios, short-wave transmitters, electronic devices. Tools and equipment needed for use and repair of radios and equipment. This equipment could be used for radio and physics departments of the schools.

7. Small printing presses, linotype machines, type, and other printing equipment for school printing departments.

8. Photographic equipment of various types. Cameras of all kinds, movie projectors, screens, tri-purpose film strip projectors, developing equipment, recording machines, amplifiers, and educational films of all types.

9. Practically all of the equipment used by the Army and Navy in its educational programs would be suitable for peacetime educational purposes.

10. Microscopes, telescopes, and binoculars could be used in science departments.

11. Land and buildings that are properly located and wanted by educational agencies.

12. Shop equipment, which includes woodworking equipment of every description, machine shop equipment such as metal lathes, milling machines, shapers, drill presses, grinders, power hacksaws, and metal band saws. They could also use sheet metal equipment for their sheet metal shops. Arc welders and gas welders of almost any description could be advantageously used by schools where there are shops.

13. A good many of the high schools will put in aeronautical departments, and some of the equipment and supplies could undoubtedly be used by them for such purposes.

14. Schools could also use motor vehicles which could be changed into busses to transport pupi's. Most of the larger schools could also use one-half ton trucks for general delivery purposes.

II. I understand that there is a possibility that the compulsory military training program may be enacted. This program, if it is enacted, should be connected with the schools. It might be connected with the last year of high school or the first year of junior college. Equipment could be given to the schools participating in the program.

Some of the equipment could also be used for regular civilian educational programs. The civilian educational program is, of course, a State function. The Federal Government should limit itself to aiding the program, both financially and with surplus equipment, but it should not in any way control it. Some of the equipment might also be used by the schools who plan to participate in the rehabilitation of veterans. In order to control the distribution of surplus commodities, and to keep schools from applying for more equipment than they need, it might be well to have the Federal Government loan it to the schools. Then after a shake-down period of a year or two it could be given to the schools that had been making the proper use of it.

III. To facilitate the disposal of surplus property for educational uses it might be well to turn it over to a single Federal agency, such as the Office of Education. They, of course, would have to deal with the State departments in the various States, who would be responsible for the equitable disposition of the equipment.

IV. No Federal agency should take any part in the educational program. Their only function would be to dispose of the property that has educational value. An exception might be the compulsory military training program which should be worked out cooperatively by the schools and the agency in charge of military training.

V. (*a*) The purpose of distributing the surplus property to schools would be to assist in developing educational programs wherever that development was necessary. Some of the larger universities might be able to use the equipment to promote research.

(*b*) As I stated in one of my previous answers, I believe the distribution could be handled by the Office of Education.

(*c*) Most educational agencies could not afford to pay current market prices for the property. I believe that the property should be an outright gift to the educational institutions. Institutions applying for surplus commodities would have to submit an application, and the Federal agency would have to determine whether or not the institution could make proper use of the material applied for. A shake-down period, as I suggested in one of my previous answers, might be advisable.

(*d*) The equipment that has been changed in design or is obsolete would not have much educational value. It possibly could be used to demonstrate general principles, but all in all, educational institutions should have modern equipment.

(*e*) Some conditions would have to be laid down in regard to maintenance and use. It might be that the title of the property could remain with the Federal Government for a year or two, and that inspections could be made periodically to determine if the property is being used for educational purposes. If a school had applied for too much equipment and was not making adequate use of it, the Government could recapture it and sell it.

VI. (*a*) Educational agencies should possibly have first right to obtain Government surpluses after their applications have been honored, the balance could be sold to commercial agencies.

(*b*) If the equipment is going to be given or loaned to the schools without charge, the amount of the equipment would not have to be limited by the amount of the funds appropriated.

(*c*) Any transfer of surplus property to educational institutions probably will have to be authorized by Congress.

(*d*) I answered that question in 6 (*a*). I feel that educational agencies should be given the opportunity to satisfy all of their needs before the property is allocated to commercial disposition. I do not believe that the surplus property should be given only to Federal educational institutions, but to any public educational institution that needs it.

(*e*) I do not know whether a Federal administrator would be necessary or not. If the laws for the disposition of surplus property were written up in such a way that educational uses and public uses will be satisfied first, then the remainder of the property could be disposed of on a commercial basis.

Sincerely,

A. C. VAN WYK, *Superintendent of Schools.*

DICKINSON PUBLIC SCHOOLS,
Dickinson, N. Dak., August 24, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Committee,
Washington, D. C.

DEAR SIR: Written in response to your letter of August 18, 1944.

Types of surplus property useful to education: Radio and electrical equipment; lathes, forges, welding (both electric and oxyacetylene) equipment for shops; all types of visual-aid equipment; scientific apparatus.

This equipment can be had at the training centers where the Government has furnished equipment for the training of all kinds of technical occupations.

Disposal: I see no reason why the Federal Government should not dispose of all such equipment under the direction of one agency such as the Office of Education.

(*a*) Such agency should not own or operate such property for educational purposes directly.

(*b*) The agency should make such property available, but at a price approximately equal to 50 percent of normal value depending upon condition of the material or equipment.

Purpose of distribution: (*a*) The equipment and material usable for educational purposes should be made available to public educational institutions at a nominal cost (about 50 percent of normal value).

(*b*) The public school institution makes an outright purchase from the Government as though the purchase had been made on the open market from a commercial agency.

(*c*) I consider any conditional contract such as future recapture by the Government or conditional use and maintenance as wholly unwise.

(*d*) It should be the Federal Government's aim to secure a reasonable return on its investment in such equipment but not at the expense of commercial producers. I believe this is wholly possible through the sale of such materials and equipment to governmental subdivisions, such as schools, who would thereby be able to relieve that much in taxes.

Machinery of disposal: (*a*) Surely centralize the distribution of such commodities and equipment that the Government possesses.

(*b*) If a State agency makes a convenient agency in the State and makes a convenient means of contacting individual schools, why not used the recognized State department of education or comparable agency?

(*c*) The Congress should not permit the sale of any materials unless there is absolute assurance that they will be paid for.

Miscellaneous: (*a*) I am absolutely opposed to having the Federal Government think of a Federal program of education. I positively do not want to see a duplication of the National Youth Administration educational program as developed in its last years, nor any similar program.

(*b*) When disposing of the property why not give educational users of equipment first chance at purchase for a period of time after it has been made available. Then open the sale to other public institutions, and lastly to the commercial outlets.

There seems good sense to have the Government realize a fair return on the equipment it holds, to make it available to the educational institutions supported by public funds, and to assure the payment of contracted obligations. But I absolutely can see not justification for or need for a Federal program of education.

Very respectfully,

A. D. HAGEN, *Superintendent.*

OHIO EDUCATION ASSOCIATION,
Columbus, Ohio, August 21, 1944.

Senator JAMES E. MURRAY,
Committee on Military Affairs, United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: Thanks for your letter of August 17 in which you asked for an expression of opinion on a number of questions. I am taking these up in the order in which you list them.

(1) The types of surplus property most likely to be useful in educational activities are those types which the Army and Navy have used for educational purposes, plus certain shop and machine tool equipment which may be in Gov-

ernment-owned plants, radio and radar equipment which may or may not have been used by the Army or Navy. I would have very little judgment as to what Federal agencies other than the armed services might own certain equipment useful for educational purposes.

(2) It is my judgment that Federal agencies in possession of such surplus property for the most part cannot and should not participate in programs involving such property's utilization.

(3 Unified responsibility for the disposal of surplus property to educational uses should be vested in the United States Office of Education.

(4) I do not think that agency should use the property directly in its own operations. It should be distributed among educational agencies and institutions.

(5) The purposes of such distribution should be the two that you name in your letter and, in addition, an important purpose should be to make possible the broadening of curricular opportunities in all schools which could not afford to buy some of this equipment, whether they are located in backward areas or not. If the distribution on the State level were handled through State government agencies, as I believe it should be, the individual States could provide adequate planning for allocating material among the schools within the State. The agency should be the State board of education or the State department of education, assisted by a State advisory commission. I enclose herewith a copy of a plan, adopted by a group of laymen and educators, recommended for use in Ohio in connection with any prospective allocation of surplus Federal property.

This plan will indicate more details as to the terms upon which such property should be distributed. The feeling was that a considerable amount of property should be available to tax supported institutions without cost. I think this particular enclosure will adequately answer your question 5 (*e*).

(6) It is my judgment that the amount of surplus property acquired by the Federal agency in charge of the educational program should not be limited by the amount of appropriated funds. Either Congress should provide for the transfer of surplus property that has been used for educational purposes by agencies of the Government as outlined in item 1 (*b*) of the enclosed Ohio recommendation or Congress should give discretionary authority to the Surplus Property Administrator to make such allocation as he deems it advisable. I would, of course, prefer that Congress itself give some general direction to the amount and type of property that might thus be made available. It is patent that much educational equipment is available and has already been bought and paid for by the taxpayers of America for a good reason, and might be turned into other channels of benefit to the taxpayers when its present use has ceased to be imperative. A system of priorities might profitably be set up to guide the Federal administration if Congress finds it impossible, as it well may, to decide upon an over-all allocation in terms of a certain quantity of material or in terms of a certain dollar value of material.

Yours very truly,

W. B. BLISS.

RECOMMENDATION MADE AT THE CONFERENCE, TUESDAY, MAY 9, 1944

I. We recommend that through appropriate public authority the State of Ohio create an advisory State commission for special Federal-State education programs, to consist of at least seven members representative of the several educational interests involved. The function of this commission is to carry out the following purposes insofar as Federal legislation calls for State cooperation or administration:

(1) To advise with the State superintendent of public instruction concerning policies under which Federal surplus wartime equipment will be made available to the schools and colleges of the State. Said superintendent of public instruction shall administer those policies.

(2) To advise with the State superintendent of public instruction concerning surveys of need for educational plant facilities and of all Federal funds which may be available for expenditure in the State for educational structures as a part of a public-works program.

(3) To advise with the State superintendent of public instruction concerning the State's part of the federally financed programs of education and training for ex-service personnel.

II. We recommend that the actual administration of the federally financed programs be vested in the superintendent of public instruction, the State board for vocational education, the several boards of trustees of the State-supported educational institutions, and the controlling boards or officers of any other educational and training institutions or agencies which may be made eligible to participate under any of the programs designated above.

III. We urge that the Congress of the United States authorize the following priorities and methods of allocation for the disposal of surplus property:

1. Allocation, without cost, to public educational institutions of:
   (*a*) Property now being used by such institutions but with title vested in the Federal Government.
   (*b*) Property now being used by Federal agencies for educational purposes.
2. Allocation, at a determined price level, between Federal Government agencies.
3. Allocation for sale to State and local tax-supported agencies and organizations, and to public educational institutions and to nonprofit, tax-exempt educational institutions. Surplus property made available to educational institutions should be at a price level not higher, and preferably less, than the price levels used under Priority 2 for transfers between Federal agencies.
4. Allocation, without cost, of surpluses that for any reason cannot or should not be offered for sale to State and local tax-supported agencies and organizations, including educational institutions.

IV. We recommend that the title to surplus property allocated without cost to public educational institutions be vested by law in the State of Ohio to be administered by the superintendent of public instruction with the advice of the advisory commission.

V. We recommend that all these activities on the Federal level—i. e., surplus property distributions, Federal grants-in-aid for post-war school building construction, and education of returned servicemen—be channeled through the United States Office of Education as the logical Federal agency with whom the State should deal.

STATE OF OKLAHOMA,
DEPARTMENT OF PUBLIC INSTRUCTION,
Oklahoma City, August 25, 1944.

Hon. JAMES E. MURRAY,
Chairman War Contracts Subcommittee, United States Senate
Washington, D. C.

DEAR SENATOR MURRAY: The delay in replying to your request has been due to my absence from the office.

I desire to compliment the committee of which you are chairman for the approach you are making to this very important problem. The answers given below in the order asked consist of the combined judgment of several members in my department.

1. Office equipment, motor vehicles, aeronautical supplies, are more likely to be useful in the secondary field, while electronic devices can be used in the colleges. The Federal agency in the State in possession of these classes of property, in my judgment, would be the War Production Board.

2. To the extent that they can make proper distribution of the supplies to the various school units able to use them to an advantage.

3. It is my opinion that the responsibility for the disposal of surplus educational property should be vested in the United States Office of Education. I also believe Congress should authorize the transfer to that Office of such educational properties for distribution.

4. (*a*) Only to the extent of promoting efficiency in the distribution of the surplus property.

(*b*) The Federal agency should distribute to a central agency on a quantity requisition by the State agency. It is my belief that a special agency should be set up in each State for the purpose of cooperating with the United States Office of Education in the distribution of this property.

5. (*a*) Property should be distributed to all areas able to purchase and make use of equipment without consideration as to location.

(*b*) Distribution in the several States should be handled by the State department of Education, or an agency created especially for the purpose of handling and distributing the school property.

(*c*) (1) I would recommend a grant of this property to the educational agency; (2) if a charge is made the cost should be less than the current market price for such property. In no case should any agency profit from the sale or distribution of this material.

(*d*) Equipment obsolete or changed in design can be used in many cases for teaching fundamental principles. Such material should be placed on a cost basis to the institution using it.

(*e*) All material so distributed should become the property of the institution or school district to which it is originally allocated and sold without any strings to it by the Federal authorities.

6. (*a*) The educational agency in charge of property should not be limited to the amount for which funds are available at the present time. In a short time many institutions and districts will be able to make additional preparation financially to acquire this valuable material.

(*b*) Yes.

(*c*) Yes.

(*d*) It is my belief that a better allocation of the surplus commodities can be made by a committee representing this public agency, but certainly including individuals familiar with the educational problems of the State.

If I can furnish you any additional information from this State relative to this matter, feel free to call upon me again.

Sincerely yours,

A. L. CRABLE, *State Superintendent.*

THE UNIVERSITY OF OKLAHOMA,
Norman, Okla., August 11, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, Washington, D. C.

DEAR MR. MURRAY: Your letter of August 4, 1944, addressed to Mr. J. L. Lindsey, Central Association of University and College Business Officers, University of Oklahoma, has been referred to me.

We are very much interested in the suggestions contained in your letter and in the subject matter. We feel that, for many reasons, properties left in the hands of the Federal Government, but which are useful for educational purposes, should be made available to educational institutions on either a loan or a gift basis.

In the first place, these properties as a rule will have value only for educational institutions. War conditions have caused situations which make it practically impossible for educational institutions to purchase these materials, and we think that the experience of this war justifies the belief that the educational interests of the country are as important as we have always conceived them to be. In disposing of this property, we feel that the Federal Government might well divide the available properties into three classes, with somewhat different treatment for each class.

First: Real estate. As an instance, we have adjacent to our campus two United States naval air stations—one a flying field north of town, the other a training center south of town.

The base south of town adjoins our campus. The university needs this land and it needs certain buildings and structures on the land which would be proper adjuncts to our aeronautical engineering and occupational training courses. We understand that the policy of the Federal Government, as announced in some quarters, may be that farmers should always have the first chance to buy lands. We think that in this instance the educational institution should be given a prior right on the adjacent land that is useful and necessary for its purposes.

The air base north of town consists partly of the university flying field of 160 acres, which was acquired by the Federal Government by lease for the duration. The university wishes to resume control of this flying field and use it in post-war educational courses, particularly aeronautical engineering and practical and technical courses relating to air transportation. The Government has built signal towers and hangars, some on the land which they leased from us and some on adjacent land. We think here also the educational institution should be given a priority in the acquisition of this property.

Also, we understand that the plan has been not to sell these lands for less than the purchase price by the Government, but as a matter of fact, the purchase price was very exorbitant, far in excess of the market value of such lands, and we do not feel that an educational institution should be made to pay a price dictated by the unwillingness of the Federal Government to condemn the lands or to cause any feeling on the part of the dispossessed owners.

Second: Another classification would be general equipment useful ordinarily for business or industrial purposes, but often necessary for educational institutions. We refer particularly to cars, trucks, and similar equipment. We think these should be made available to educational institutions on a loan basis or on a gift basis, according to the need.

Third: A third class of property consists of apparatus that is designed to serve research or general educational purposes, such as laboratory equipment, visual aid equipment and devices, electronic devices, and specialized libraries and the like. Such properties should be furnished free to schools engaged in the instruction of the veterans. We feel very strongly that State educational agencies should not be discriminated against, as has been done in the case of Public Law 16, effective March 24, 1943, and Public Law 346, known as the G. I. bill, effective June 22, 1944. Under these bills, tuition is given to private schools, but is practically denied under the terms of the acts and the attitude of the Veterans' Administration to State institutions. And yet, the taxpayers of the State, being also taxpayers of the Nation, have done their share toward the purchase of these equipments and making possible the services under the reeducation acts.

Answering your questions more in detail, you ask: "What type of surplus properties are most likely to be useful in educational activities and what Federal agencies will be in possession of those classes of property?"

From my statement above, you will see that in our particular instance, real estate and fixtures upon the property will be one of the most important agencies to supplement our educational plant for the veterans' training courses that come later. As we are not favored in those bills in that we will receive no tuition for training of disabled veterans and only a nominal tuition under the G. I. bill, we think that full consideration should be given to our needs in this real property which happens to be absolutely necessary for us and no more than ordinarily desirable for use in agriculture. Other types of surplus properties are mentioned above.

In this connection, we are informed that real estate is now in the hands of an entirely different Federal agency from personal properties, being controlled by the Reconstruction Finance Corporation. It should be made very clear in legislation contemplated in regard to property useful for education that the same opportunities for the obtaining of necessary land should be given as for the acquisition of other properties. The university, however, understands that the rather settled policy of the Federal Government will be that real estate must be purchased, and under no circumstances will it be donated.

The second question asks: "To what extent can a Federal agency, in possession of certain property, participate in programs involving the utilization of properties for educational purposes?"

That will depend, of course, upon the Federal agency. There should be at least some advisory control over the disposition of property of any character in, perhaps, the Office of Education of the United States. We feel that the Office of Education should have handled the educational veterans bills if the purpose was to advance the cause of education and that special agencies, like the Veterans' Administration for instance, have only a minor interest in education.

Under your question 3, we think that the responsibility for the disposal of surplus property that is especially adapted to the purpose of education, should be controlled by the Office of Education and in the case of real estate especially needed for such purposes, the recommendations of the Office of Education should have weight.

Concerning 4 (*b*), our suggestion should be that State institutions should be favored rather than neglected; that standard educational institutions only should be considered. There will be a very strong tendency to distribute these properties where they will affect the most voters.

Under 5 (*a*), the development of secondary education in backward areas might be a laudable purpose. The promotion of research is equally important. To facilitate the rehabilitation of veterans or enable the institutions to educate the veterans is also tremendously important. To this end, we feel here that if the Office of Education of the Federal Government participates in these plans, it should be worked through educational agencies in each State representing all phases of education in the State. Such unified agencies, we understand, are now being set up in practically all the States of the Union, and that could be made a condition of State participation in the property. These State agencies would classify institutions and emphasize State needs in regard to such property.

In considering 5 (*c*), as we have indicated before, we do not think the educational users should pay current market prices for property chiefly useful for educational purposes. The fact that they are required to pay would have the effect of raising the market price.

Under 5 (*e*), if property is loaned to institutions, I think there should be a system of checking the condition and the degree to which the property is maintained in good condition, and that there should be provisions for withdrawing the property from any institution when it is not properly handled.

Under section 6, again it is our belief that any property especially useful for educational purposes should be made available for educational institutions, even though it has other uses.

Concerning 6 (*a*) and (*b*), the questions seem to be mainly ones of Federal bookkeeping. I see no lack of power in Congress to place these properties directly at the disposal of some appropriate Federal agency or combined Federal and State agency, such as the Department of Education working with the educational unit representing each State, and authorizing that the department or agency from which the property is taken for such use be given appropriate credit.

Under 6 (*c*), we think that the Federal agency should be given the opportunity to satisfy the needs of the Federal educational program before the property is allocated to commercial dispensation.

Considering 6 (*d*), perhaps an over-all Federal administrator could be given the authority to make this determination, but he should be an officer particularly interested in education rather than in finance or political aspects of the situation.

To summarize, we think that in the case of land which happens to have special value for some educational purpose, it should be considered as a special situation; that the institutions needing this land for such purposes should have some priority of claim and that there should be no arbitrary limitations on the price; and that the Reconstruction Finance Corporation should work out such problems with a State administrative agency representing the educational interests of the State concerned.

That in the case of property usable both for the purpose of an educational institution and for industry, the educational institution should obtain a limited amount of such property they will need on a gift or loan basis, or at least on most favorable terms; that the property especially adapted for educational uses should be allotted to such institutions without cost on the recommendation of the appropriate State agency. Preference should be given to institutions furnishing instruction to veterans on a less-than-cost basis.

We appreciate the opportunity to offer our views in this matter. We realize, of course, that the properties in which we have special interest are still in use for an indefinite time by the Federal Government, and that there are many considerations that Congress must take into account in the matter of the ultimate disposition of them, but we do not feel that in giving this last type of property or loaning it to educational institutions, industry will be greatly injured because the educational institutions, no matter how important their work, will not be able readily to buy the property.

One further suggestion, if it may be permitted: That is, that when an agency is set up to handle such properties, it invite claims by institutions for specific properties considerably in advance of actual disposition so that institutions may have time to make claims and have them properly appraised, and also in order that conflicting claims of institutions can be weighed by the State authorities and be adjusted.

After the last war, I remember seeing thousands of acres of trucks parked out on rented ground to rust out. We do not think the same disposition should be made of properties capable of use for education.

Very truly yours,

JOHN B. CHEADLE,
Administrative Assistant to the President.

THE UNIVERSITY OF OKLAHOMA,
Norman, Okla., August 28, 1944.

Hon. JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: It was our pleasure sometime since to write you regarding plans for the disposition of surplus property for the consideration of

your Senate subcommittee. This letter was in response to your kind invitation that we express our views as to the effect of certain policies upon educational institutions.

We still feel that on one point, State institutions are being put in a very bad light and at a practical disadvantage as to their chances for obtaining such property because of the impression that seems to be general in the House, judging from the debates in Congress, that State educational institutions are going to receive a very large tuition for the education of veterans. We trust that this misapprehension does not extend to the Senate.

However, we are taking the liberty of sending you copies of letters sent to our Senator, the Honorable Elmer Thomas, dated August 25 and August 26, in which we discuss the peculiarly disadvantageous situation confronting State educational institutions in connection with the veterans' educational program. I trust it will not be asking too much to have you look at the enclosed letters.

Another point on which we hope later to present our opinion more in detail is this: We feel that the Department of Education of the United States should be represented on the committee to administer the act under what we understand to be the Senate plan, or if the individual administrator plan suggested by the House is adopted, that the Department of Education of the United States be represented on his advisory committee. We feel it is extremely important that education be represented in some way in the administrative agencies set up under these bills.

We greatly appreciate your expressed interest in our problems in connection with this general subject, and we hope that a plan can be worked out that will be satisfactory to both the House and the Senate and which will apply with some equality to State and private institutions so far as to enable each class of institutions to be in a position to acquire surplus property especially suitable to education.

Cordially yours,

G. L. CROSS.

AUGUST 25, 1944.

Hon. ELMER THOMAS,
United States Senate, Washington, D. C.

DEAR SENATOR THOMAS: We have been following closely the debates on H. R. 5125 relating to the disposal of surplus property. This bill has been passed by the House and the Senate is considering a separate measure which, we presume, will be passed this week. Then the matter will be thrown into conference before the bill takes final shape.

It is our wish to show, as far as possible, the effects that this proposed legislation will have upon our educational institutions. The general policy advocated in both Houses is apparently to have surplus property disposed of in such a way as to produce the best price with the least disturbance of the general economy. This attitude is commendable.

But there has been a strong feeling that specialized types of property, such as scientific instruments, classroom and laboratory equipment, and other properties especially useful for educational purposes should be made available to educational institutions on the basis of relative need. This view has been strongly expressed by Congressmen Reed, of New York, Tarver, of Georgia, and Rohrbough, of West Virginia.

But the prevailing view in Congress seems to be expressed by Mr. Cochran, of Missouri, page 7075 of the CONGRESSIONAL RECORD, in which he said, "We provide in H. R. 5125 that schools, State organizations, etc., can secure their legitimate needs, but they are going to be required to pay for the property that will accrue as a result of the war." And again, on page 7205, Mr. Cochran speaks of liberal appropriations under the G. I. bill: "If we pay them the tuition so they can educate those in the armed forces, why cannot they, in securing their legitimate needs, pay for the surplus property the Government has?"

On page 7031 of the Congressional Record Mr. Vorys, of Ohio, also stated in regard to educational institutions that "They are to receive up to $500 a year tuition. If these instruments had a fair price placed on them, not unconscionably high or low, the Government could turn over these instruments in payment for part of the tuition for veterans, and that would be an excellent way of helping out the schools and the veterans and the Federal Treasury."

These statements by Mr. Cochran and Mr. Vorys show the entire lack of appreciation on the part of Members of Congress as to the actual situation relating to veterans' education or as to the benefits to be received by public educational institutions under these acts.

Provisions for veterans' training, rehabilitation, and reeducation was made in two acts of Congress: Public Law 16, first session, Seventy-eighth Congress, effective March 24, 1943; and Public Law 346, second session, Seventy-eighth Congress, effective June 22, 1944. The first of these acts relates to the rehabilitation of injured veterans. The operation of schools under this act will entail far more expense than the usual educational programs of these institutions. It will require not only a great variety of specialized training courses, but also a counseling and advising set-up that will include a staff to apply our knowledge as to psychotherapy to the necessities of veterans whose minds and nerves have become affected by the strains of war, as well as requiring aptitude testing and expert vocational counseling. This Public Law 16 is now furnishing the greatest number of veterans for schools. But it offers no tuition to State institutions. It does not provide in terms for tuition, but as interpreted, it pays the fixed fees of institutions and it puts no limits on the total of such fees. In the case of private institutions, fixed fees include their very large tuition, but State institutions throughout the region west of the Allegheny Mountains do not have, except in very rare instances, any resident tuition for instruction. East of the Allegheny Mountains, practically all institutions have a high tuition as a regular part of their fees. Therefore, under Public Law 16 as interpreted by the Veterans' Administration, there will be furnished full instructional costs to schools of the Eastern States. Comparatively few institutions west of the Mississippi River will receive tuition under this act.

Public Law 346 is the Veterans' Educational Act, and it provides in a general way for tuition, including the full tuition usually charged by private institutions but only the nonresident tuition of public institutions. As a matter of fact, however, public institutions throughout the Mississippi Valley and in the region extending through to the Cascade Range do not have any substantial nonresident tuition. These schools do not charge any resident tuition, as stated above, and the nonresident tuition in this region for the larger universities is a mere token payment averaging about $130 a year while, in the same institutions, the instruction cost per student is more than four times that amount. The result will be that private institutions will be able, as Mr. Vorys says, to purchase educational equipment, while State institutions will have, on the average, much less than $100 a year average tuition for each veteran under the combined effect of the two veterans' bills. This act does have a limit of $500 per man for the regular school year.

The interpretation of the G. I. bill by the Veterans' Administration was set out in a service letter of July 1, 1944, to State veterans' administrators. This letter puts on the State institutions the burden of showing that the education of veterans would require "additional services" or "an increase in the extension of facilities beyond the institution's established program" in order to claim fair and reasonable compensation. In other words, while the G. I. bill provides for reasonable tuition to State institutions if their nonresident tuition does not provide substantial compensation, yet as interpreted by the Veterans' Administration, this provision practically will be ignored. No burden of proof is placed on private institutions under this act. They need only show what has been their usual tuition charge.

Under Public Law 16, referring to veterans rehabilitation, of course there is little to interpret in the act and no funds are available to State institutions under that law. Moreover, State institutions have been heavily engaged in aiding the Army and Navy in specialized programs for training officer material. These contracts did not provide for maintenance and restoration of properties, and the educational costs paid by the Federal Government were below the average cost of instruction. Acting on the theory that these contracts would be profitable to the institution and to the State, our appropriations were deeply cut during the past biennium. Equipment and plants have deteriorated and must be replenished. Moreover, at the close of the war, there will be an enormous increase in attendance at school without any comparable increase in appropriations for State-supported institutions. Faculties must necessarily be increased and buildings must be provided for dormitories, classrooms, and laboratories.

But due to this decreased support of State institutions and the discrimination against them in the veterans' educational program, and especially in the administration of these veterans' acts, it will be impossible for the State colleges in the central part of the country to compete with eastern private institutions for the necessary increases of faculty personnel. There is, already, a shortage of college teachers in sight and as the schools fill up, the competition for their services will be acute. It will be seen that there is no basis for the expectation that, because of the veterans' acts, educational institutions over the country generally will be able to purchase educational equipment, outside the small area in which education is carried on chiefly by high tuition schools. There may not be a deliberate sectional discrimination on the part of Congress against the Central States in the United States, but that has been the effect of the veterans' education acts.

Some relief can be given to the class of institutions discriminated against in the veterans' acts by modification of the Surplus Property Disposal Act. To accomplish this relief, there must be some modification in the proposed provisions for making property available to educational institutions. H. R. 5125, as enacted, makes property available to the educational institutions without cost only if it has no value for sale. This equals the generosity of Bill Nye's character who was always willing to donate a chicken dinner to the poor whenever the fowl had died of natural causes.

Our first request is that section 10 of H. R. 5125, or the corresponding provision in the act as finally adopted, be further extended to cover any case where the Administrator finds that property, either real or personal, has a peculiar and special value for use by an educational institution which is offering its facilities and services for the rehabilitation and continued education of honorably discharged veterans, and which is not receiving substantial payment for the costs of such veterans' educations.

We feel that the educational situation of public-supported institutions, especially in our immediate region, is very grave. We will have increased civilian enrollment; demands will be made on us for expansion of our facilities for the reeducation and rehabilitation of veterans. We do not want to shirk this work, even though we are required to do it without substantial return. We shall give all our energies so far as humanly possible to the purpose of restoring the veterans to civilian life. But in the face of the discriminations which I have mentioned, this will be difficult unless Congress appreciates our situation and does something to correct these inequalities. This can partly be accomplished by the suggested modification of the Surplus Property Act as it affects State institutions.

We ask that members of our delegation consider the situation we have outlined as it affects Oklahoma's institutions, and use their influence accordingly.

Cordially yours,

G. L. CROSS.

AUGUST 26, 1944.

HON. ELMER THOMAS,
Senate of the United States, Washington, D. C.

DEAR SENATOR THOMAS: In my letter of August 25, I called attention to the gross discrimination against State institutions in the two veterans' education bills (Public Law 16, 1st sess., 78th Cong., effective March 24, 1943, and Public Law 346, 2d sess. 78 Cong., effective June 22, 1944). Under the first, Public Law 16, all fixed fees without limit as to amount, would be paid institutions receiving disabled veterans. In the case of private schools and most eastern State schools, this would include resident tuition. In the Mississippi Valley region, State schools have no tuition as a part of their fees, so will get nothing for instruction under the terms of this act.

Under Public Law 346, a similar discrimination exists. Private schools are entitled to their full fees up to $500 (there was no limit in Public Law 16), while State institutions receive only their nonresident tuition which in the Central States is a negligible quantity bearing no substantial relation to the cost of instruction. Under rules adopted by the national Veterans' Administration and promulgated July 3, 1944, these schools are practically barred from claiming any further costs of instruction.

In this letter, I want to show what the general picture is as to veteran education, and what it will entail in the way of increases of costs for all educational institutions that embark upon this program of education of veterans. Also, I wish to show the disadvantages under which public institutions will labor in procuring their share of surplus property useful in education and necessary for fully carrying out the veterans' education programs. In addition, I wish to develop some facts in our own situation that make the proposed provisions of the various property disposal bills a practical bar to any hopes we may have of obtaining future surplus property that we are in a unique position to use in our educational program.

Among the needs that institutions must meet after the war will be facilities for new lines of educational activity, made necessary by changed conditions. There must be increased aid for new fields of instruction brought on by the new air era. In our own situation, we have the facilities for this particular line of advancement at our door, and we have some equipment and organization for sound courses, both fundamental and practical, for the development of air activity. We have a well-developed air field, which we have leased to the Government as the nucleus for the United States naval air station at Norman. When the war ends we shall have our own air field again, but we shall need adjacent land and the part of the equipment erected thereon.

We have on our campus and as a part of our original aeronautical program, an excellent wind tunnel and other technical equipment. No other university in the United States has greater facilities at hand but we may be unable to avail ourselves of them. We are at the crossroads of America in strategic location for air development, and we have the extraordinary advantage of being in a locality where year-round flying conditions are nearly perfect. The facilities are at our door. The naval air technical training center adjoins our campus on the south. The United States naval air station, which includes our own air field north of town and which is leased to the Government for the duration of the war, is also at our door. If and when even one of these fields is given up by the Navy, we could have available equipment of the greatest value to us if we could obtain it. This will include temporary housing and messing facilities and increased classroom space, which will be so sorely needed in that period.

For we shall have a larger civilian enrollment than ever before; added to that, we shall have a large enrollment of veterans under the G. I. bill and disabled veterans under the earlier act. It is for that reason that we are so anxious to have the door left open so that we can use some of the buildings of the air bases pending the time we can get sufficient permanent building for our need. It will require time to develop our permanent plant. Never in the history of education in Oklahoma were so many advantages so tantalizingly displayed at our door, but we may find that we are powerless to avail ourselves of them. I am sure the State will do its part in helping us to take care of our increased enrollment and of the veterans who will come here for training; but it will be a huge task to furnish the permanent buildings they must provide, and it will take several years before they can be occupied. It is for that reason that we must acquire quick, temporary substitutes for these permanent facilities during the next 3 or 4 years. For it must be remembered that we were hopelessly cramped for space before the war and our condition in that respect will be far worse when the post-war rush comes. We feel that these facts are of importance. We still believe that education offers the greatest hope we have for the survival of our civilization. It is the best investment that money can buy.

In view of these facts, we feel that the Government could well afford to give us the land, buildings, and facilities adjacent to our campus, if that were necessary. Their only alternative is the demolition of all improvements on this property, worth many thousands of dollars, and the restoration of the land to its original status as farm land. We would therefore make the request of our Senators and Congressmen at Washington that they oppose all policies either in the Disposition of Property Act, H. R. 5125; or in the proposed bill to amend the Reconstruction Finance Corporation Act by adding a new title thereto relating to sale or other disposition of Federal property that calls for the destruction of buildings and equipment on land that could form a natural part of our campus. They are so situated that no other educational institution could use them. It will cost money to destroy and remove the property. After the very expensive improvements are removed, the land will have only value as farm land. We may not be able to buy the land or its improvements, but we could use the property to advance one of the greatest services—the education of youth, the reeducation of disabled veterans and the completion of the education of war workers and veterans of our wars.

We are not asking that all land and improvements of Government bases genrally be given to education. That will be futile. Institutions could not use distant facilities, but we do ask that where such facilities are so situated as practically to form part of the campus or property of an educational institution and be used along with its facilities and in its educational program, that then and in that situation it should be directly devoted to its most valuable use. It would be wicked and wanton waste to destroy property worth an infinite sum of money

(in terms of educational finance) merely because the adjacent institution did not have the cash to pay for it, and far worse than the wanton destruction of property would be a waste of opportunity and the defeat of a potential program for educating the returned veterans as well as our own students, which we could carry on with those facilities.

It is not asked that any property be given outright to our educational institution. If it were loaned or leased to the institution, it would be equally valuable to us. It is not asked that property be so given as to defeat a sale of that property to the institution or to any other purchaser. Indeed, I think the States should pay something for the property, but if that cannot be done because of lack of funds, I do not think the Government is justified in allowing the property to be dismantled and its parts sold at their salvage value. Some special provision should be made for such special opportunities for educational institutions. If provision is not made, the acts will be so drawn and interpreted as to require the wasteful and antisocial result indicated above.

It has been suggested that the Government should, in such cases as that mentioned, deny the use of the property to established institutions and should organize Federal educational institutions to use the property in place rather than to allow it to be used by the State school. Here again is a suggestion of waste and needless duplication of facilities. The true purpose of the Federal Government could be served by having the property used and used for public educational purposes, especially for veterans.

Another evil would be thus avoided: The prevention of Federal competition with State educational institutions—the entering wedge for Federal taking over of the educational program and supplanting the State in its own field. It is not enough justification for this that the State furnished inadequate support for education. The whole idea of Federal interference in local education is repugnant to our American Federal system whereby local matters are left to the States, with Federal support in those cases where a special and distinct Federal purpose or duty is served.

We have that complete situation; it was a Federal interest and a Federal necessity that produced the abnormal situation in which we find ourselves. That Federally produced abnormal situation for education (the necessity for the retraining of veterans and of war workers) is the liability of the Federal Government and should be met by them, but not by extending the powers and activities of the Federal Government in the field of local education.

Normally, this whole situation should wait until the property involved is ready for final disposition, until the Federal activity has ceased. That, however, is difficult. General rules are to be laid down for the disposition of all property. Federal regulations must be based on these statutes. Unless some caution is contained in the acts, it is improbable that the interests of education will be protected. The rules will be framed with commercial [illegible], and they will be so drawn that unintentionally, perhaps, they will foreclose the possible interests of education.

The argument has been urged that a sound administration can be depended upon to make a sound disposal of surplus properties, but the objection here is not to a sound administration but rather to specific limitations on its power to act; the purpose should be to make possible that disposal that will be in the ultimate social interest as well as in the most immediate interest of the veteran who is to be retrained and reeducated.

There will, in particular instances, be properties useful especially for educational purposes, and so situated as to make that use the most valuable use to which the property can be devoted. They have been used for that purpose on Army and Navy bases. They have some small value for distant industrial plants. It has been proposed to deny the use of these properties to adjacent campuses of educational institutions for use in the rehabilitation of veterans because they have that small value. We feel that is poor economy.

In our first letter we asked that "where the Administrator finds that property * * * has a peculiar and special value for education [illegible] use in connection with an educational institution which is offering its facilities and services for the rehabilitation and continued education of honorably discharged veterans and which is not receiving substantial payments for educational costs of such veterans," that the Surplus Property Act should make that property available to that educational institution.

We also ask that our Senators and Congressmen oppose any provision of the surplus property disposal bills that calls for the destruction of buildings or equipment on land that could form a constituent part of some educational institution because of its location or nature.

In making these two requests, we do not feel that the Government will be taking any financial loss. We do not believe a precedent will be established which can have any adverse effect upon the practical disposition of surplus property, and we do believe that it will be an aid to the education of veterans in the Mississippi Valley region and also to some degree, balance the discriminatory features of the veterans' educational bills and especially of the discriminatory application of these bills by the Veterans' Administration.

Cordially yours,

G. L. CROSS.

COMMONWEALTH OF PENNSYLVANIA,
DEPARTMENT OF PUBLIC INSTRUCTION,
Harrisburg, August 30, 1944.

ANSWERS TO QUESTIONS RAISED BY HON. JAMES E. MURRAY, CHAIRMAN, WAR CONTRACTS SUBCOMMITTEE, COMMITTEE ON MILITARY AFFAIRS, UNITED STATES SENATE

(1) Which, in your opinion, are the types of surplus property that are most likely to be useful in educational activities? What Federal Government agencies will be in possession of those classes of property?

(*a*) Industrial equipment, such as machine tools, lathes, milling machines, shapers, etc.; hand tools, such as saws, hammers, files, etc.; measuring and testing instruments, such as micrometers, calipers, pyrometers, Brinell hardness testers, etc.; electrical radio and communication equipment, including receiving and broadcasting sets, testing equipment, etc.; woodworking equipment, including woodworking machines, hand tools, and finishing equipment; drafting equipment, such as draft boards, benches, blueprint machines, etc.; lithographing equipment, such as off-set presses, plate-making equipment, etc.; automotive repair and testing equipment; aircraft repair and testing equipment; photography, including cameras, dark-room equipment, enlargers, etc.; projection equipment, including silent and sound 16 mm. projectors, sound-slide projectors, recording equipment, including both disk and wire, etc.; kitchen and dormitory equipment; scientific laboratory and testing equipment; dental and health equipment; transportation—school busses and trucks; office furniture and equipment; office machines and equipment, such as calculators, mimeograph machines, typewriters, etc.; educational tests and testing supplies.

(*b*) The Army, Navy, Air Corps, Signal Corps, Engineering Corps, Ordnance Departments, United States Treasury Procurement Division, Defense Plant Corporation, etc.

(2) To what extent can the Federal agencies in possession of such surplus property participate in programs involving the utilization of such property for educational purposes?—Federal agencies can participate in educational programs for the training and rehabilitation of veterans, the retraining necessitated by the conversion from wartime to peacetime in industry, and the utilization of these facilities for existing federally supported educational endeavors.

(3) Should unified responsibility for the disposal of surplus property to educational uses be vested in a single Federal agency, such as the Office of Education? Should Congress authorize the transfer to such an agency of the surplus property that could be devoted to educational activities?

(*a*) Yes.

(*b*) Yes.

(4) If a single Federal agency is authorized to hold surplus property susceptible of educational uses:

(*a*) To what extent should that agency use the property directly in its own operations?—Only in the administration of the distribution of this equipment.

(*b*) To what extent should that agency distribute the property among educational agencies and institutions?—Practically all of this equipment should be distributed to educational institutions, based upon justifiable representation of need and ability to utilize the facilities requested.

(5) What policies should be followed by the Federal agency in distributing surplus property among educational institutions?

(*a*) What should be the purposes of such distribution: To assist in developing educational activities in "backward areas"? To promote research? etc.

The Federal agency should establish criteria which will form the basis of distribution of surplus commodities. Each State board of education should be required to justify all of its claims in line with the criteria established by the United States Office of Education.

In turn, local school districts and institutions should be guided by the same criteria in making claims to the State boards of education.

The district should be large enough and have sufficient pupils to justify the needs and full utilization of the equipment requested. The basic principle is the equalization of educational opportunity for all youth in America, keeping in mind that some districts, as now organized, are too small to make this possible and therefore a district should be sufficiently large to justify this request.

This equipment should also be used to promote research.

(*b*) To what extent should distribution be handled through State government agencies? Which ones?—All of this equipment should be distributed through State departments of public instruction or State boards of education.

(*c*) On what terms should the property be distributed? Should educational users pay current market prices for such property? If not, what will be the basis for and character of the price policy with respect to such property?—It is only proper that the local school pay from 10 to 20 percent of the current price. Through taxation all individuals and agencies are paying the total cost, and through this distribution the Federal Government is making a contribution to education.

(*d*) Under what conditions and terms should educational institutions acquire equipment which has been changed in design or is obsolete? Schools should accept this equipment as long as it has basic value in the training and education of the student, provided the equipment is in good condition.

(*e*) What conditions should be laid down with regard to maintenance or use? With regard to resale? With regard to recapture by the Government?—The equipment should be properly housed and maintained and used for reasonable periods of time. It should not be made available for resale for a period of 10 years, but may be recaptured by the Government any time during this period in the event of a national emergency or failure to demonstrate adequate and proper utilization.

(6) Property which is susceptible of educational use can also be sold commercially, or can be utilized in connection with other public programs. How shall the determination be made as to the volume and type of property which will be acquired for educational use, as contrasted with those which will be devoted to other public uses or disposed of commercially?

Each State should make a survey regarding the extent of its needs and submit the findings of such survey to the United States Office of Education. This, in turn, should form the basis for a national list of the equipment needed by the schools.

The distribution of this equipment might well include welfare institutions, such as crippled children's homes, penal institutions, orphanages, and other State aided nonprofit institutions and schools.

(*a*) Should the surplus property acquired by the Federal agency in charge of the educational program be limited by the amount of appropriated funds available to that agency for such acquisition?—No.

(*b*) Should the transfer of surplus property to that agency without a charge against appropriated funds be authorized by Congress?—See answer to 5 (*c*), page 3.

(*c*) In either event, should the Federal educational agency be given the opportunity to satisfy the full needs of the Federal educational program before the property is allocated to commercial disposition?—Yes; understanding the Federal educational agency includes State and local educational programs.

(*d*) Should an over-all Federal administrator be given authority to determine the allocation of surplus properties as between (i) educational uses, (ii) other public uses, and (iii) commercial disposition?—In the distribution of the National Youth Administration equipment, Congress provided that the equipment, first of all, be made available to non-Federal vocational schools which had been cooperating in training with the National Youth Administration as of June 30, 1943. Second consideration was given to the Army, Navy, Maritime Commission, and other Government agencies. Third consideration was given to all other non-Federal vocational schools (title 41, Public Contracts).

It is our recommendation that Congress make provision that all of this equipment be made available to the schools for a definite period of time, following which a Federal administrator would be given the privilege of determining the final disposition of all remaining surplus equipment.

FRANCIS B. HAAS.

PENNSYLVANIA STATE EDUCATION ASSOCIATION,
Harrisburg, Pa., August 24, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MURRAY: In response to your letter of August 17, I am pleased to reply to your various questions in the numerical order outlined and your original question is in no instance repeated. However, an attempt is made in each instance to word the reply so that the content of the question is obvious.

1. Types of surplus property most likely to be useful in educational activities are the following: School desks, folding chairs, blackboards, paper books of many kinds—textbooks and library books—chemicals usually employed in the chemistry laboratories of high schools and colleges, experimental equipment for physics laboratories, visual aids such as projectors and many films that are of educational value, duplicating machines, first-aid items such as bandages and antiseptics, shop equipment such as lathes, saws, and the like, with quantities of supplies employed in teaching welding, the metal trades, electrodynamics, aerodynamics, automobile mechanics, radio, food processing, and so forth. It is likewise proper to note that in many phases of the educational program of the armed forces, transportation equipment has been acquired and employed, much of which would be equally useful in the operation of the public schools of the Nation.

The Federal Government agency in possession of these classes of property ranges from the active armed forces to the numerous classifications of service initiated and supported by the Federal Government both in military and civilian life during this emergency.

2. It is doubtful whether the Federal agency in possession of such surplus property can participate effectively in post-war civilian and educational programs involving the utilization of such property for such educational agencies. The possible exception is the United States Office of Education which, in my opinion, should act more as a distributing and disposal agency rather than an agency actively participating in educational programs which generally are held to be largely State and local in function and administration.

3. The disposal of surplus property to educational uses should be vested in a single Federal agency, namely, the United States Office of Education. Congress, in my opinion, should authorize the transfer to this agency the surplus property that could be devoted to educational activities.

4. (*a*) The Federal agency, namely, the United States Office of Education, could use only a very limited amount of property directly in its own operations. The most logical field it would appear for the United States Office to function would be in coordinating a new type of educational service which would have future possibilities in FM radio broadcasts for educational purposes and television.

(*b*) The agency should distribute these surplus materials in practically their entirety to educational agencies and institutions.

5. Policy to be followed by the Federal agency in distributing surplus property among educational institutions should be as follows:

(*a*) To assist in developing educational activities wherever need is evident and local factors are such as to make possible effective use of them. Obviously the material will be so extended that its use need not be limited to backward areas or for the promotion of special activities such as research.

(*b*) The distribution should be handled entirely through the State governmental agencies. It would appear most logical to indicate a single clearing agency in each State to conform with present State constitutional practices. This logical agency would be the State department of public instruction.

(*c*) The property, in my opinion, should not be distributed on a current market price inasmuch as the production of such property was made originally from public tax revenues and inasmuch as education is a public function. It is my opinion that distribution should be on a contributory basis from the Federal Government and not on a price basis.

(*d*) Educational institutions should be permitted to acquire such equipment which has been changed in design or is obsolete on the basis of their needs as indicated by request.

(*e*) No condition should be laid down with regard to maintenance or use, with regard to resale or recapture by the Government. It is assumed that within a short time all of this material will be obsolete insofar as effective use by the Federal Government is concerned. There is no point, therefore, in the Federal Government maintaining any conditions which require supervision or follow up once the material has been allocated.

6. The educational agencies should have first call on all property that can be utilized for educational purposes in public-education programs. Surpluses which remain after the educational agencies have had opportunity to make their requests could then be disposed of commercially.

(*a*) The Federal agency in charge of the educational program should not be limited by the amount of appropriated funds available to that agency in the amoun tof surplus property allotted to it.

(*b*) It is my opinion that the transfer of surplus property to that agency without a charge could well be authorized by Congress.

(*c*) Decidedly yes; the Federal educational agency should be given opportunity to satisfy the full needs of the Federal education program including State and local needs before the property is allocated to commercial disposition.

(*d*) The over-all Federal administrator should by legislation be authorized to determine the allocation of surplus property as between educational uses, other public uses, and commercial disposition with the proviso, howeved, that requests for such surplus property for educational uses be given first priority in distribution and for other such uses second priority.

Very sincerely yours,

H. E. GAYMAN, *Executive Secretary.*

THE FRANKLIN INSTITUTE,
Philadelphia, Pa., August 24, 1944.

The Honorable JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: Your communication of the fifth re disposition of excess war equipment for educational use has come to me. Our answers to your questions are as follows:

1. Laboratory equipment, scientific instruments, machine-shop equipment, laboratory supplies, machine-shop materials, office equipment and supplies, library equipment.
2. Submit to educational organizations and institutions, inventory lists.
3. One agency would simplify and reduce cost to seller and buyer.
4. (*b*) Fairly widespread.
5. (*a*) Both.
(*b*) See No. 3, State department of education.
(*c*) Educational allowance plus depreciation allowance.
(*e*) Educational institutions should buy for use and not resell.

Sincerely yours,

HENRY B. ALLEN,
Secretary and Director.

THE SOUTH CAROLINA EDUCATION ASSOCIATION,
Columbia, S. C., August 23, 1944.

Mr. JAMES E. MURRAY,
Washington, D. C.

DEAR MR. MURRAY: I appreciate your giving me an opportunity to express what, I believe, is the opinion of the education-minded people of South Carolina on the matter of disposal of war surplus material to schools.

It seems to me that this whole matter should be considered in the light of two or three principles: (1) Will it serve the interest of the Nation's taxpayers? (2) Will it serve a socially desirable purpose? (3) Will it benefit business, stimulate reemployment, and bring about a vigorous and healthy economy?

The need of the schools for equipment has always far excelled their ability to buy—some schools being able to buy none. This condition has been rendered more acute during the war. In other words, equipment and materials donated to the schools by the Government will not hamper business because the schools will not be able to buy it or new equipment—if it is not donated the schools will just get along without it. (Schools might be required to buy as much new equipment during the year as they had averaged buying annually during the past 5 years, before they are eligible for donated material from the Government.)

The Government has a marvelous opportunity to give to the boys and girls of our country, especially those who have had so little of instructional equipment and material and who have no possible way to buy it, a chance to have a great lift in their education.

The handling of this material should certainly be through the already constituted regular school channel authorities—United States Office of Education, State departments of education, school trustees.

Not knowing all the types of material and equipment the Government has, I hesitate to try to list that needed by the schools but I suggest the following: (1) Commercial—bookkeeping machines, calculating machines, typewriters; (2) vocational—shop, electrical, electronics, welding, sheet metal, machine, automobile, airplane, woodworking, pattern making, printing, plumbing, sewing and power machine, tailoring; (3) scientific and precision instruments and testing equipment; (4) sound-motion-picture projectors, slide projectors, etc., films, slides, and other teaching materials; (5) cafeteria and school-lunch material and equipment; (6) audiovisual aids, other than projectors; (7) laboratory equipment; (8) musical instruments; (9) athletic and sports equipment; (10) photographic equipment and supplies; (11) trucks, busses, and other transportation equipment; (12) building and construction supplies, and many others. There are thousands of items that schools should have but are unable to buy. It is the hope of those of us interested in education that the Government will see that our children have a chance at those things that are so essential to a well-rounded instructional program and which they will never have if they have to depend on local tax money to supply. We hope you will do your best to see that this material gets to these boys and girls.

Again thanking you for inviting my views, I am

Sincerely,

J. P. COATES, *Secretary.*

WALTERBORO PUBLIC SCHOOLS,
Walterboro, S. C., August 21, 1944.

Mr. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee, U. S. Senate,
Washington, D. C.

DEAR MR. MURRAY: In reply to your letter of August 18, I am very glad to give you my opinion regarding the matters mentioned. I am attempting to answer your questions as they are listed numerically in your letter.

1. All tables, desks, and other school furniture, teacher's aids and materials, motion-picture equipment, public-address systems, auto mechanics and manual-training tools, machines, parts, and equipment, etc. The Army, Navy, Marine Corps, and all other branches of the Armed Forces should be in possession of most of this material.

2. The Federal agencies could participate in a program involving the use of such properties for educational purposes to the extent that they could make them available to educational institutions but without any strings tied to them.

3. Yes. Responsibility for the disposal of surplus properties to educational users should be invested to the Office of Education. Congress should authorize the transfer.

4. (*a*) None.

(*b*) This agency should be fully responsible for seeing that this material is equitably distributed among the States and through the State education authorities to schools who can make proper use of it.

5. (*a*) To provide educational materials to schools now without these will be unable financially to secure them; to schools who have programs that can utilize this material, and to schools that are really in need of them.

(*b*) The distribution of the material within the States should be left entirely to the State Department of Education of each State.

(*c*) I feel that the schools should pay for this surplus material but it should be priced to them as cheaply as possible and in accordance with the quality of the material.

(*d*) If the equipment can be used at all, the value should be in accordance with the quality and ability to be put to some educational use.

(*e*) If the equipment is purchased by the school, it becomes the property of the school and can be resold, exchanged, or disposed of in anyway. It should not be liable to recapture by the Government.

6. (*a*) Yes.
(*b*) Yes.
(*c*) Yes.
(*d*) Yes.

Yours very truly,

T. B. STEVENSON, *Superintendent.*

SUPERINTENDENT OF SCHOOLS OF MEADE COUNTY,
Sturgis, S. Dak., August 25, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: We have your letter relative to the dispersal of surplus war materials. I feel that the ordinary channels of business should be interrupted as little as possible in the conversion to a peacetime routine. I also feel that any interruption thrown into the economic set-up by the dumping of commodities on to the market anywhere along the line would disrupt, more or less, the regular channel of business practice.

My suggestions would be to sell this material back to the manufacturer at the price he would sell a like product that he would make to the retailer and to insure his willingness to buy this product from the Government you could regulate the priorities for raw materials which he could buy for the manufacturer of additional like commodities. For illustration, suppose a manufacturer bought 100 new typewriters from the Federal Government at the price he would sell 100 new typewriters to the retailer and suppose that when he bought these 100 new typewriters from the Government he was also given a priority rating to buy raw materials to produce 200 new typewriters. The sales force in the sale of typewriters could immediately go to work. They would have something to sell at once. The labor in the factory would be kept busy because they would have raw material with which to work. The taxpayers' interests would be safeguarded because the investment the Government made in these typewriters would be realized back into the public funds when they were sold to the manufacturer.

Very truly yours,

ERVIN PEREGRINE, *Superintendent.*

STATE OF SOUTH DAKOTA,
DEPARTMENT OF PUBLIC INSTRUCTION,
Pierre, August 19, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: In reply to your letter of August 17 regarding surplus supplies, I wish to advise you that there are many of the points mentioned we do not feel we can answer due to confusion partly and lack of information in other respects. I shall take them up, however, as I see them.

1. Any of the materials that could be used in vocational work or general educational activities, could be used. I do not know which Federal agencies have them.

2. If I understand this correctly, I would say the best thing that you could do would be to turn this over to the proper agencies in the State and let us use them through the State board for vocational education.

3. I would suggest that a unified agency be appointed and that the Office of Education should be the one that could handle it to the best advantage in the schools.

4. (*a*) The least Federal control of it the better.

(*b*) I think they should distribute this on an equitable basis to the State Boards of Vocational Education and leave it to their judgment as to the best use of it within the State.

5. (*a*) Probably either.

(*b*) Entirely through the State board of vocational education.

(*c*) I would not be in favor of these agencies paying current market prices because we probably could do much better in dealing with private firms than with the Government without having the red tape and delay that follows. It seems to me that it could be loaned to these boards for the use of the schools or could be priced so low that there would be some purpose in our waiting. Our experience has been that in dealing with a Federal agency so much time is involved that we can hardly wait for the decision.

(*d*) I think it should be given to them outright.

(*e*) This would depend on the method used in the first place.

6. (*b*) Yes.
(*c*) Not necessarily.
(*d*) No.

Very sincerely yours,

J. F. HINES, *State Superintendent.*

THE BOARD OF EDUCATION OF THE METHODIST CHURCH,
DIVISION OF EDUCATIONAL INSTITUTIONS,
Nashville, Tenn., August 14, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee.
Washington, D. C.

DEAR MR. MURRAY: Recently at a meeting held in Chicago, several members of the Association of Schools and Colleges of the Methodist Church were present and discussed some of the contents of your letter of August 4. These men were especially interested in knowing that some of the supplies now held by the Government will be available to educational institutions. They felt, however, that they should not be given, but sold, to the institution. They also believe that the private educational institutions should have access on equal terms for the purchase of this material with the State-controlled schools.

For some time our Methodist institutions have been considering forming an organization for the purchase of necessary materials that may be left from the war effort for our institutions. This suggestion grows out of the belief that one organization doing the purchasing for all of the schools might be advantageous over each school trying to do its own purchasing.

We have no suggestions to offer concerning the methods of the disposing of the material, but we are anxious to have all materials available to our private educational institutions.

Very sincerely yours,

JOHN O. GROSS, *Secretary.*

PRAIRIE VIEW STATE COLLEGE,
Prairie View, Tex., August 28, 1944.

Mr. JAMES E. MURRAY,
Chairman, War Contracts Subcommitee,
United States Senate, Washington, D. C.

MY DEAR MR. MURRAY: The following answers are submitted for the institution to the questions asked in your letter regarding surplus property:

(1) Office equipment, instructional equipment, trucks, typewriters, office supplies, scientific apparatus, etc.

(2) The Federal agencies in possession of such surplus property can participate in programs involving the utilization of such property for educational purposes by working with and making use of the United States Office of Education.

(3) The unified responsibility for the disposal of surplus property to educational uses should be vested in a single Federal agency, such as the Office of Education. Congress should authorize the transfer to such agency all of the surplus property that could be devoted to educational activities.

(4) If a single Federal agency is authorized to hold surplus property susceptible of education uses, this agency should work with the public and private institutions.

(*b*) This agency should distribute the property among all educational agencies and institutions.

(5) In distributing the surplus property, this Federal agency should have for its purposes to provide facilities for instruction, distribute property available for research to those institutions capable of using it.

(*b*) The distribution should be handled through land-grant colleges and vocational departments.

(*c*) Property should be distributed for educational purposes the same as the National Youth Administration property was disposed.

(*d*) Some obsolete material could be used for educational purposes.

(*e*) The property should be turned over with title vested in institutions for educational purposes.

(6) Institutions should be appraised according to the amount of property available and make known the amount they can use.

(*a*) The surplus property acquired by the Federal agency in charge of the educational program should not be limited by the amount of appropriated funds available to that agency for such acquisition, educational use should be paramount.

(*b*) The transfer of surplus property to that agency without a charge against appropriated funds should be authorized by Congress.

(*c*) The State and private institutions' needs should be considered.

(*d*) An over-all Federal administrator should be given authority to determine the allocation of surplus properties as between (i) educational uses, (ii) other public uses, and (iii) commercial disposition.

Respectfully submitted,

T. R. SOLOMON,
Registrar and Coordinator of Instruction.

UTAH EDUCATION ASSOCIATION,
Salt Lake City, Utah, August 21, 1944.

Hon. JAMES E. MURRAY,
Committee on Military Affairs, United States Senate,
Washington, D. C.

DEAR MR. MURRAY: It is certainly encouraging to see your interest in the proposed distribution of surplus war materials. A wise disposal of these materials is one of the serious problems confronting our congressional leaders. Our opinion concerning the specific questions you asked follow:

1. Materials which would be of value to schools are: Text and library books, blackboards, chairs, desks, chemicals suitable to chemistry laboratories of high schools and colleges, experimental equipment for physics and food laboratories, film strips and projectors suitable for visual education, linguaphone materials and records used in the teaching of languages, duplicating machines, typewriters, first-aid items, suitable shop equipment such as lathes, power saws, tools, etc., equipment used in teaching the metal trades, aerodynamics, electrodynamics, automobile and airplane motors suitable for shop experimentation, radar and radio equipment, busses, etc. The items mentioned in the above group are probably but a small portion of the total items which would be suitable in the educational training of the Nation's children. Such properties as the ones mentioned, I presume, are under the control of the different divisions of our armed services, and some shop materials used in the war-training program are in the schools. It might be well worth while to use surplus foodstuffs in the school-lunch programs to guarantee that our children be better fed than they are at present.

2. The Federal agencies in possession of such properties should not participate in educational programs which would involve the utilization of such properties except where they are already in public schools as is the case with the war-training program.

3. Responsibility for the disposal of such surplus properties to be used in the educational training of American children should be vested in the United States Office of Education, which would cooperate with State offices of education, and Congress should authorize the transfer to this agency of such surplus materials.

4. If the United States Office of Education were authorized to hold such surplus materials for distribution to the schools of the Nation, such materials should not be used to any great extent in its own operation, but should be distributed to the schools of the Nation. Although such materials as might be necessary in setting up the clerical force for distributing surplus materials might well be used by the office of administration.

5. (*a*) This war has again demonstrated the fact that we are not doing for the children of our country all that should be done in an educational way. As to whether or not these materials should be distributed mostly to the backward areas is a nice question. With many materials which would help them overcome their backwardness, we would say "yes"; and still it is obvious that much equipment—i. e., radar and highly technical apparatus—would perhaps be useless in backward areas where the teaching personnel was not properly qualified or the pupils did not have the educational background necessary to use such materials. We believe that it would be most advantageous to place much of the purely scientific apparatuses into colleges and universities of the Nation where further research could be carried on. It would seem that the decision as to which materials would be of greatest value in different places could best be determined by the local superintendents and State superintendents who understand local needs.

(*b*) Distribution within States should be handled through the State office of education headed by the State superintendent of public instruction to the superintendents of local school districts.

(*c*) Generally speaking, we believe it would be economically sound to distribute these educational surplus materials gratis to the public schools of the Nation. We

believe that by so doing the educational program of our country would be greatly accelerated. We believe that few of the school districts of the Nation are financially able to purchase these materials either on the open market or by bid.

(*d*) Gratis.

(*e*) Districts or schools acquiring such surplus materials should use them to the very best advantage and properly maintain them at district or school expense. No district should be allowed to resell such materials. Unless crisis arises, we think that gratis distribution from the United States Office of Education to the districts and schools of the Nation should transfer title of such materials to school and district.

6. No greater service could be made of those properties which are primarily educational in nature than to put them to the service of the school children of the Nation. Determination as to volume and type should probably be determined by Congress, which might mean the one or ones appointed by Congress to administer this disposal.

(*a*) No.

(*b*) Yes.

(*c*) We think Federal agencies should not administer the educational program of any State. We do not object to Federal assistance being channeled through the United States Office of Education in assisting States and districts within the States with their problems.

If you mean by "Federal educational program," the distribution of such materials of educational value to the schools of the Nation through the United States Office of Education, then we would say use all the materials which would make the best possible educational program for the children of our country before any was allocated to commercial disposition.

(*d*) The policy of determination of distribution should be the business of Congress itself with the administration carrying out the policy so adopted by Congress.

I hope these brief statements will be of some help. We think our Government has an opportunity to provide real educational enrichment for its children. We hope the opportunity is not missed.

Success to you and your committee.

Sincerely,

RULON H. MANNING, *Executive Secretary.*

STATE OF VERMONT,
STATE DEPARTMENT OF EDUCATION,
Montpelier, August 31, 1944.

Mr. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
United States Senate, Washington, D. C.

MY DEAR MR. MURRAY: Although I am probably not in a position to give valuable advice in answer to all of your questions contained in your letter of August 17, I have given the questions consideration and am glad to submit the following suggestions:

1. The types of surplus property that would seem to be most useful to educational activity in Vermont include the following: (1) Vocational education, (2) school furniture, (3) science and mathematics apparatus and equipment, (4) dormitory furniture or furnishings, (5) kitchen equipment.

2. I believe that the United States Office of Education should have unified responsibility for the disposal of surplus property for eductional uses and should deal directly with the State departments of education in the several States.

3. It seems to me that these surplus properties for educational uses should sell at a price somewhat below current market prices for such property and that the purchase of the same should constitute an absolute purchase with full title to the property.

4. In the allocation of these surplus properties which might be used for educatjonal purposes, it seems to me that public agencies should receive the first consideration. It further seems to me that a small committee would be better than one Federal administrator in connection with the determination of the allocation of the surplus properties.

Very sincerely yours,

RALPH E. NOBLE, *Commissioner of Education.*

NEWPORT NEWS PUBLIC SCHOOLS,
Newport News, Va., August 21, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contract Subcommittee, Committee on Military Affairs,
United States Senate, Washington, D. C.

DEAR MR. MURRAY: This will acknowledge receipt of yours of August 17 in reference to the policy of the Government in the disposal of surplus property originally acquired for war needs but no longer needed. I thank you for the opportunity to express my opinion on the disposal of such property, especially because of the possibilities of help to our educational institutions and programs.

As far as possible, I shall answer your questions categorically.

1. Types of surplus property useful in educational activities: All types of office equipment including especially typewriters and calculating machines; many types of scientific apparatus such as radar and electronic devices to be used in teaching in science and in certain vocational classes; educational equipment used by the Army and Navy in their instructional activities. I am not sufficiently informed to state what the Federal Government agencies outside of the armed services would be in possession of these properties.

2. As far as my information goes, I believe that the United States Office of Education would be the only Federal agency that could participate in any great degree in the educational programs involving the utilization of such property.

3. I believe that there should be unified responsibility for the disposal of surplus property to educational uses and that this responsibility should be lodged in the United States Office of Education and that Congress should authorize the transfer of any and all surplus property that could be devoted to educational activities to that Office.

4. (*a*) The United States Office of Education should use any such property directly that would aid in its own operations.

(*b*) The United States Office of Education should list all such property available and distribute this information to the public educational institutions in the United States and request such institutions to make requisition upon the United State Office of Educaton for any such material which such institutions could use with profit in the development of their programs. After a sufficient time for such institutions to acquaint themselves with the proporties listed and a study of their own needs, the Office of Education could then distribute the materials on the basis of requisitions received. Any delay created by carrying out this suggestion would be helpful since it is generally conceded that the Government should not dump surplus materials too quickly into the ordinary channels of business because of the effect such dumping may have upon the reemployment of the discharged veterans or the discharged employees in industry.

5. Since all of this surplus property has already been paid for by the taxpayers of the Nation and since all public educational institutions are operated from tax funds, I do not believe that the public institutions should be charged for any of this property since this would be taxing the public on property already paid for by their taxes. This property should be distributed to any and all institutions according to their needs as determined by the United States Office of Education.

When this property is allocated to any institution, a contract should be signed by the governing body of the institution with the United States Office of Education to guarantee the return to the United States Office of Education any such property which is not used for educational purposes or which ceased to be used for such purposes. Such returned property should be reallocated if it is still usable for educational purposes, or if not, should be offered for sale. No property should be allocated to private institutions unless such institutions pay a reasonable price for such property.

The United States Office of Education should distribute all allocated property through the State boards of education and such boards should be required to see that all such property is used for the purpose for which it was allocated by the Government and should recapture such property when it has ceased to be so used and notify the United States Office of Education of such recapture. The United States Office of Education can then reallocate this property or sell it commercially.

6. (*a*) and (*b*) have already been discussed above.

6. (*c*) The Federal educational agency should by all means be given the opportunity to satisfy the full needs of the Federal educational program before the property is otherwise allocated.

6. (*d*) I believe that an over-all Federal administrator or preferably an over-all committee should have authority to determine the allocation of surplus properties as between educational uses, other public uses, and commercial disposition.

Very truly yours,

JOSEPH H. SAUNDERS,
President, State Board of Education.

UNIVERSITY OF WASHINGTON,
Seattle, August 19, 1944.

DEAR PRESIDENT SIEG: I have the following suggestions in answer to Senator James E. Murray's letter:

1. Before education can determine the types of such property useful, some listing should be available of them.

For the university there occurs to me at once such physical apparatus as cathode-ray tubes, cathode-ray oscillographs, motion-picture apparatus, and, since the use of radar will outlive the war, complete radar equipment for training purposes. Typewriters and certain office equipment can be used but this enters the commercial field.

A considered list could be prepared only by submitting to many educational specialists a general list of available equipment.

2. In general it is not desirable that Federal agencies be involved in programs using such property for educational purposes.

3. It appears not essential to allocate such property to a single Federal agency such as the Office of Education. That would involve allocation of much property for which there is no demand.

The Federal custodian should set up a section to handle educational demands. There is no reason for assigning this duty to the Office of Education which is not equipped for it.

5. (*a*) The principle governing allocation should be the ability of the educational institution to make effective use of the material in its educational program. The assignment of valuable apparatus to institutions not equipped to make good use of it will result in waste.

(*b*) Distribution could be handled by direct application of the educational agencies to the appropriate section of the Federal custodian's office.

(*c*) Educational users can be given priority of choice and charged going prices less a discount that recognizes the public use to be made of the property.

(*d*) Much equipment that is obsolete from the commercial or military point of view is still useful for training or research use.

(*e*) Safeguard effective use by charging a substantial initial price and do not attempt supervision or recapture.

6. (*a*) This question is covered above. Do not allocate property for educational use to a Federal agency in advance of any knowledge of possible use, but make available to educational agencies a list of available property and allow them a priority of choice.

(*b*) Covered above.

(*c*) Covered above.

(*d*) Covered above.

The Association of State Universities has a committee working on this same question. That committee can be reached through the president of any State university.

Sincerely yours,

EDWIN R. GUTHRIE.

WASHINGTON EDUCATION ASSOCIATION,
Seattle, August 23, 1944.

JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Committee on Military Affairs, United States Senate,
Washington, D. C.

DEAR MR. MURRAY: This is in reply to your inquiry of August 17 addressed to Mr. Joe A. Chandler, executive secretary of the Washington Education Association, who has asked me to reply to your inquiries concerning disposition of surplus properties. My judgment on your several questions is as follows:

1. Which, in your opinion, are the types of surplus property that are most likely to be useful in education activities? What Federal Government agencies will be in possession of those classes of property?—Desks, chairs, duplicating machines, projectors and films, paper, books, chemicals, first-aid materials, equipment for vocational arts, transportation equipment.

2. To what extent can the Federal agencies in possession of such surplus property participate in programs involving the utilization of such property for educational purposes?—Presumably not to great extent.

3. Should unified responsibility for the disposal of surplus property to educational uses be vested in a single Federal agency, such as the Office of Education? Should Congress authorize the transfer to such an agency of the surplus property that could be devoted to educational activities?—Disposal should be vested in the United States Office of Education and routed through the State department of public education.

4. If a single Federal agency is authorized to hold surplus property susceptible of educational uses: (*a*) to What extent should that agency use the property directly in its own operations?—The single Federal agency should have first claim on any equipment or materials it can use in its established program. It should not extend its program so as to make use of the stock entrusted to its disposal.

(*b*) To what extent should that agency distribute the property among educational agencies and institutions?—All distribution should be through the chief public school executive of the State.

5. What policies should be followed by the Federal agency in distributing surplus property among educational institutions?—(*a*)—What should be the purposes of such distribution: To assist in developing educational activities in backward areas? to promote research?—The purposes of distribution should be primarily to aid schools retarded by economic need.

(*b*) To what extent should distribution be handled through State government agencies? which ones?—Distribution in the States would best be handled through the State departments of public instruction.

(*c*) On what terms should the property be distributed? Should educational users pay current market prices for such property? If not, what will be the basis for and character of the price policy with respect to such property?—Schools or institutions supported by public taxation should not have to pay for surplus goods. (Why buy the same goods with public funds twice?) All goods should be given a market evaluation, whether contributed or sold.

(*d*) Under what conditions and terms should educational institutions acquire equipment which has been changed in design or is obsolete?—No opinion.

(*e*) What conditions should be laid down with regard to maintenance or use? with regard to resale? with regard to recapture by the Government?—Conditions with regard to maintenance or use should be left to the State agency to determine. With regard to resale, it might well be stipulated that no goods should be resold wihin a year. Recapture by the Government should be reserved, with due notice given to enable necessary readjustments to be made.

6. Property which is susceptible of educational use can also be sold commercially, or can be utilized in connection with other public programs. How shall the determination be made as to the volume and type of property which will be acquired for educational use, as contrasted with those which will be devoted to other public uses or disposed of commercially?

(*a*) Should the surplus property acquired by the Federal agency in charge of the educational program be limited by the amount of appropriated funds available to that agency for such acquisition?—Limitations on the amount of surplus property acquired by a school institution should be left to the discretion of the State agency and not restricted to the amount of appropriated funds available, which would mean ability to purchase rather than need as a basis of acquisition.

(*b*) Should the transfer of surplus property to that agency without a charge against appropriated funds be authorized by Congress?—Transfer of surplus property for distribution to schools without charge should be authorized by Congress.

(*c*) In either event, should the Federal educational agency be given the opportunity to satisfy the full needs of the Federal educational program before the property is allocated to commercial disposition?—The Federal educational agency should have first claim to meet any needs of a program already established.

(*d*) Should an over-all Federal administrator be given authority to determine the allocation of surplus properties as between (i) educational uses, (ii)

other public uses, and (iii) commercial disposition?—Giving a Federal administrator authority to allocate to the major divisions for distribution seems necessary.

Very truly yours,

ARTHUR L. MARSH, *Associate Secretary.*

WEST VIRGINIA STATE EDUCATION ASSOCIATION,
Charleston, W. Va., August 23, 1944.

1. Which, in your opinion, are the types of surplus property that are most likely to be useful in educational activities? What Federal agencies will be in possession of those classes of property?

1. *Answer.*—Furniture and fixtures; laboratory equipment and supplies; instructional materials; lands, buildings, and constructional materials; machine tool equipment; office and commercial equipment; cafeteria and lunchroom equipment; motor vehicles; electronic devices; visual education equipment and supplies; sanitary supplies; laundry equipment; special educational apparatus.

2. To what extent can the Federal agencies in possession of such surplus property participate in programs involving the utilization of such property for educational purposes?

2. *Answer.*—These agencies can survey their own needs in order that surpluses can be declared available for educational purposes.

3. (*a*) Should unified responsibility for the disposal of surplus property to educational uses be vested in a single Federal agency, such as the Office of Education? (*b*) Should Congress authorize the transfer to such an agency of the surplus property that could be devoted to educational activities?

3. *Answer.*—(*a*) The Office of Education; (*b*) Yes.

4. If a single Federal agency is authorized to hold surplus property susceptible of educational uses: (*a*) To what extent should that agency use the property directly in its own operations? (*b*) To what extent should that agency distribute the property among educational agencies and institutions?

4. *Answer.*—(*a*) Only to the extent that it is needed to carry on its additional duties involved in the distribution of surplus materials; (*b*) The distribution of all other property should be made to the States on the basis of use and needs.

5. What policies should be followed by the Federal agency in distributing surplus property among educational institutions?

(*a*) What should be the purpose of such distribution: To assist in developing educational activities in backward areas? To promote research? etc.

(*b*) To what extent should distribution be handled through State government agencies? Which ones?

(*c*) On what terms should the property be distributed? Should education users pay current market prices for such property? If not, what will be the basis for and character of the price policy with respect to such property?

(*d*) Under what conditions and terms should educational institutions acquire equipment which has been changed in design or is obsolete?

(*e*) What conditions should be laid down with regard to maintenance or use? With regard to resale? With regard to recapture by the Government?

5. *Answer.*—(*a*) To assist in equalizing and to improve educational opportunities in the United States.

(*b*) The distribution of surplus material should be made through a legally constituted State agency representing all phases of education in the State.

(*c*) Either by transfer of title without cost, by negotiated sale at nominal price, or by long-term lease with provision for amortization.

(*d*) By outright gift.

(*e*) Property should be transferred with general warranty of title for purpose of educational use without regard to resale or recapture by the Federal Government.

6. Property which is susceptible of educational use can also be sold commercially, or can be utilized in connection with other public programs. How shall the determination be made as to the volume and type of property which will be acquired for educational use, as contrasted with those which will be devoted to other public uses or disposed of commercially?

(*a*) Should the surplus property acquired by the Federal agency in charge of the educational program be limited by the amount of appropriated funds available to that agency for such acquisition?

(*b*) Should the transfer of surplus property to that agency without a charge against appropriated funds be authorized by Congress?

(*c*) In either event, should the Federal educational agency be given the opportunity to satisfy the full needs of the Federal educational program before the property is allocated to commercial disposition?

(*d*) Should an over-all Federal administrator be given authority to determine the allocation of surplus properties as between (i) educational uses, (ii) other public uses, and (iii) commercial disposition?

6. *Answer.*—(*a*) No.

(*b*) Yes.

(*c*) Yes.

(*d*) Yes.

PHARES E. REEDER,
Executive Secretary.

WYOMING EDUCATION ASSOCIATION,
Newcastle, Wyo., August 22, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: In response to your letter of August 17, regarding surplus war equipment which may be useful to schools and colleges, I am glad to submit some general ideas with the realization that on many points I am not fully informed.

1. Types of property likely to be useful in educational activities of the public-school system would include office and school desks of various types, typewriter desks, typewriters, library desks, chairs of all types, consumable school supplies such as all types of papers and crayons. There is a great shortage of school buses. If these are not included in war surplus, perhaps the truck chassis would be and proper bodies could be supplied. High schools, colleges, and trade schools will have large use for visual education supplies, such as projectors and movie or slide films. The larger high schools, colleges, and trade schools will profit greatly from having ordinary carpenter and shop tools, some precision tools, materials including practice planes for teaching aeronautics. I do not know which Government agencies are now in possession of these classes of property.

2. From my present information I would judge that the Federal agencies now having this property would not participate in any large way concerning its utilization by schools.

3. I believe responsibility for disposal of these properties to educational agencies should be given to the Office of Education and I would presume that Congress should authorize such transfer.

4. (*a*) If I understand this question, I would certainly presume that the agency designated would use any of the property needed in administering the program.

(*b*) I would recommend that the agency distribute to the States, Territories, or other designated units rather than distributing to individual institutions.

5. (*a*) The purpose of such distribution is to get the surplus property into actual use in such a way as to help our educational system. No particular emphasis should be placed upon research, activities in "backward areas," or on any other points. Certainly it should include aid to the public schools from the nursery through grades 1 to 12 and should not have chief emphasis upon the university level, trade schools, or rehabilitation set-ups.

(*b*) It should be handled entirely through State government agencies. Unless particular States have made other definite designations, it should be through the State department of education.

(*c*) Much of this property should be distributed without purchase price. Much of the material will deteriorate and become obsolete unless it is handled in the reasonably immediate future. Certainly the charge to educational institutions should not be greater than that which could be secured by the Federal Government. If it were sold to wholesalers to be redistributed through retailers, that price for much of this material would doubtless be very small.

(*d*) Doubtless some equipment which is partially obsolete would be useful in preliminary training courses. The Office of Education, or other agency which has been designated, should, of course, refuse to distribute materials which would be detrimental to schools.

(*e*) Clear title should be given to the educational institution and the Government should forfeit any right or claim to recapture. Conditions should be established so that resale at a profit would not be possible. If no resale were permitted within immediate years, this would doubtless largely cover the point. Distribution should be made only to schools which definitely show that the materials could and would be used, but attempts to force proper maintenance would be difficult to enforce and would cost more than the value of maintenance.

6. (*a*) The amount of property acquired by the Federal agency should not be limited by the amount of funds appropriated, but by the established need for the property.

(*b*) The transfer of surplus property by an agency should not be without a charge of appropriated funds.

(*c*) The Federal educational agency should be given an opportunity to satisfy the full needs of the educational program before the property is allocated to commercial disposition.

(*d*) Congressional actions should specify that these materials be used in whatever quota is useful to educational institutions, to State and county departments of government or other Federal and State public uses before any is allocated for commercial disposition.

It is the thought of our educational organization that these properties have been bought and paid for by the people of America by taxes and sale of bonds. Returning them to commercial sources might net the Federal Government an amount of money which seems very large to an ordinary individual and yet which would be only a small fraction of the cost of these materials. We believe it is better to return these properties to the people through their organized governmental subdivisions, as State, county, municipal, and school governments. It is probably also true that materials should be made available to social and educational institutions that are not directly operated by any division of the Federal or State Governments. I believe practically all of these operate under charters granted by the States.

Very truly yours,

O. C. KERNEY, *Secretary.*

MISCELLANEOUS LETTERS AND STATEMENTS ON THE SUBJECT OF UTILIZATION OF SURPLUS WAR PROPERTY IN EDUCATIONAL INSTITUTIONS

CHRISTIAN COUNTY PUBLIC SCHOOLS,
Hopkinsville, Ky., July 27, 1944.

Senator JAMES E. MURRAY,
Washington, D. C.

DEAR SIR: As a representative of the Christian County schools I would like to request that you support a bill favoring the schools of our country with surplus war materials.

I am especially interested in woodworking machinery that has been used in the National Youth Administration program and office equipment such as typewriters, desks, chairs, filing cabinets, adding machines, etc.

Very truly yours,

N. T. HOOKS, *Superintendent.*

CHURCHILL MANUFACTURING CO.,
Galesburg, Ill., July 27, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the Senate Committee on Military Affairs, United States Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: A quotation follows from a publication of the National Education Association.

"When the war ends, there will be billions of dollars' worth of supplies in the warehouses, on the wharves, in the holds of ships, and in the supply dumps of the fields of operation. The Government has created a Surplus War Property Administration. Its purpose is to dispose of these surplus supplies in a way which will result in the least financial loss to the American people."

The National Education Association has asked Congress to pass legislation making available the surplus supplies to educational institutions. No doubt, the

disposal of certain surplus goods to needy public institutions and schools is a worthy cause. These goods were paid for by tax money and such institutions are supported by same. Nevertheless, the schools and institutions are supported by State and county tax money, and these goods were created by Federal tax money. Inasmuch as the support of the State, county, and local institutions is a problem of the State, we contend that the distribution of the surplus materials should be a matter of State, county, and local responsibility rather than Federal.

A considerable industry of manufacturers who restrict their production to materials and equipment exclusively for schools and institutions have given war production their first consideration and in preference to normal institutional manufacture. A vast organization of school supply and equipment distributors together with an army of representatives maintained by these distributors have struggled through the war period with great devotion in servicing the schools and institutions with what materials were existent and available for the maintenance of schools during that period. The educators and institutional managers have relied upon these distributors for the service they render, the introduction of progressive education, substitutions for unavailable material, aid and assistance in continuing education under war restricted conditions. This vast army of distributors has done a great job. The drain on the manpower of schools and institutions has emphasized need of assistance from such distributors. It may be truthfully stated that the school supply distributor has actually acted as a potential member of every school board and school faculty in the district which he serves. He was supported only by the small margin of profit obtained from the sale of materials to such schools and institutions. Without such distributors, many schools would not have survived. Without such an industry, the entire program of modern education would come to a standstill. Post-war education is due for radical change and readjustment. The success of such change and adjustment largely depends upon the service rendered by the school supply distributor.

If billions of dollars' worth of supplies and equipment are made available to schools and institutions without passing through the hands of the distributor, he will be so injured that he will be unable to exist. If a separate organization is set up for the distribution of such excess materials, competition will be created, and the already organized system of distribution to schools and institutions will hamper the distribution of excess war products. Thus injury will develop in both ways.

It could hardly be expected that the already organized distributors to schools and institutions be expected to take over the items of school supplies in the excess war products or to purchase same outright from the Government in any lump sums or quantities. They would neither be financially able to do so nor would their warehouses permit the acceptance of such. They are, however, adequately set up to act as the salesmen or agents for the distribution of such materials to schools and institutions providing that they were reasonably protected with that privilege. They could be used by the agency of the Federal Government on a well-laid-out plan instead of dumping excess products on the market for any jobber or broker to handle or instead of dumping such products on the market to destroy normal supply and demand or instead of creating an entirely new organization for such distribution. It is the writer's opinion that the normal channels of distribtuion for all products of civilian consumption should be utilized by the Surplus War Property Administration to dispose of excess war goods in a gradual manner to prevent disruption and chaos in normal business and commerce. This could easily and logically be done by providing brokerage fees to such distributors or to permit them to purchase the materials as they found markets.

Many schools throughout the various States are almost completely destitute and with no prospect at hand adequate to furnish modern and equal education to the residents of such destitute districts. Here lies an important point of equal rights. Children living in destitute districts should have equal rights of education with those who live in districts where the most modern schools and facilities are available. Destitute school districts are not now or will not be in the normal markets for supplies and equipment because they have inadequate funds with which to enter same. Thus these schools and institutions in no way affect normal market conditions or business channels. Such school supplies and equipment as are contained in excess war products could be distributed to these destitute and needy school districts without in any way affecting normal business, and this would at the same time send aid where it is most needed and would contribute to the equalization of educational opportunity. It would pre-

vent widespread unemployment and would prevent the damage that would otherwise be accomplished.

All forward-thinking American citizens know that post-war prosperity depends upon maximum employment. Maximum employment depends directly on maximum production. Maximum production depends directly on maximum sales. Maximum sales depend upon maximum markets. Dumping of goods onto a market during the struggle which must follow the war of peacetime adjustment would certainly destroy maximum sales, production, employment, and the national economy.

It is therefore our opinion that the distribution of excess war products, materials, and equipment should:

(1) Be distributed to those who have no means of entering any present or future market because of financial or other reasons.

(2) So far as possible, excess war products should be distributed by already organized industries with national industry associations—such distributors to act as agents for the Government on some sort of commission basis.

(3) All distribution of excess war material which is to be given or otherwise distributed without normal cost to the recipient be dispensed through State, county, and city dispensers rather than through Federal agencies.

Your careful consideration of the points stated above is respectfully requested.

WARD M. GLASBY, *Sales Manager.*

DISPOSAL OF GOVERNMENT SURPLUS PROPERTIES AND MATERIALS IN RELATION TO PUBLIC EDUCATION

(Statement submitted to the House Committee on Expenditures in the Executive Departments by R. B. Marston, director, legislative and Federal relations division, National Education Association. August 9, 1944)

PROPOSAL

In the disposal of war surplus properties and materials appropriate for educational use the National Education Association requests favorable consideration of the proposal that such properties and materials be transferred without cost to tax-supported schools, colleges, and universities. Like consideration is requested, in the event such disposal cannot be extended privately supported and privately controlled education, for the proposition that educational institutions in this category be authorized to purchase surplus materials at nominal costs.

QUANTITATIVE ASPECTS OF SURPLUSES

The proposition that surpluses having educational use should be transferred without cost is based in large part upon the belief that in many kinds of materials the quantity will be of such magnitude that it cannot all be disposed of through sales without possible grave injury to our economy, resulting in cutbacks in production and consequent reductions in employment.

It is particularly these surpluses-beyond-sales to which the proposal of the National Education Association is intended to apply. To this there is one exception, viz, surpluses that could appropriately be applied to the replacement of materials and supplies which have depreciated in a marked degree, or been entirely consumed, by the war effort, of our schools, colleges, and universities.

The magnitude of expected surpluses, while not subject to exact definition as far as information available to the National Education Association is concerned, is estimated to range somewhere between 50 and 112 billions of dollars. This is in pronounced contrast with surpluses that existed at the close of World War I. On November 12, 1918, the estimated value of surpluses was reported as $6,000,000, up to that time the largest surplus stockpile ever accumulated in the history of the world. This war is on a vaster scale. Its demands in terms of materials and supplies are without parallel.

NATURE OF EDUCATIONAL SURPLUSES

Many of the surplus items will have their most direct use in the field of education.

Among these are school desks; folding chairs; blackboards; paper, books of many kinds—textbooks and library books; chemicals usually employed in the chemistry laboratories of high schools and colleges; experimental equipment for physics laboratories; visual aids such as projectors and many films that are of educational value; duplicating machines, first-aid items, such as bandages and antiseptics; shop equipment, such as lathes, saws, and the like; with quantities of supplies employed in teaching welding, the metal trades, electrodynamics, aerodynamics, automobile mechanics, radio, food processing, and so forth. It is likewise proper to note that in many phases of the education program of the armed services, transportation equipment has been acquired and employed, much of which would be equally useful in the operation of the public schools of the Nations.

The foregoing are examples of surplus equipment and supplies which have been acquired in large quantities by the armed services for educational purposes. Similar items, not acquired by the armed services for immediate instructional service but employed under actual combat conditions, would have equally direct and important applications in the on-going educational program of the Nation's schools.

PYRAMIDING OF SCHOOL NEEDS

Meanwhile the war period has witnessed one of the most rapid accumulations of school needs in the history of our country.

In the first place, the effort made by the schools in training 9,000,000 workers for war jobs has been costly to existing school plants and their equipment. In many instances schedules have been operated on a two-, three-, and even four-shift basis. Around-the-clock programs have not been uncommon, particularly in school shops. Some estimates that have been made in the case of round-the-clock programs indicate that the wear and tear in specific instances on plant and equipment was multiplied from 4 to 10 times of normal usage. This has resulted in a rate of deterioration without precedent in the history of public education. It is also true that school supplies on hand at the beginning of the war period have, in a great many cases, been depleted in support of national service.

In the second place, the system of priorities necessarily embodied in the war effort has prevented boards of education and the governing bodies of colleges and universities from making normal replacements from year to year. The school bus fleet of the Nation is fast approaching the end of its usefulness. Commerce class-rooms are filled with typewriters that cannot much longer be kept useful through repair.

The result of the operation of these two factors—(1) excessive rapid depreciation, and (2) priorities—has been an accumulation of school needs of critical magnitude, worthy of the most sympathetic understanding and careful consideration of Federal Government.

LAG IN SCHOOL REVENUES

Throughout the Nation the most widely employed base for school support is real estate. It is a matter of common knowledge that the tax value of real estate has not increased in proportion to rising school costs. This means that the fiscal ability of boards of education has relatively decreased in recent years.

With relatively less to spend, education has been compelled to invest larger sums in personal services. Teachers' salaries, while still greatly in arrears of the mounting cost of living, have increased approximately 10 percent over the war period. Wages of maintenance employees have gone up. The cost of such supplies and materials as have been available has climbed as well. These inescapable factors have left less for boards of education and the governing bodies of our colleges and universities to spend in many lines of school supplies and equipment. In fact, were the market to become immediately abundant in all kinds of goods needed by the schools of the Nation, it would be impossible because of lack of funds for educational purchasing agents to take care of school needs that in increasing amounts have developed since Pearl Harbor.

It may now certainly be expected that education, if it should continue to be limited to existing plans of State and local support alone, will be forced to spend the next decade attempting to restore plants and equipment to their 1941 status. The fiscal ability of boards of education and similar bodies is inadequate to meet both equipment and personnel demands.

The gap that exists between what schools can afford and what they need is rapidly widening. It stands as a serious threat not only to the individual welfare

of American youth but at the same time to the general welfare in the days ahead.

This gap may at least be partially closed if surplus materials, appropriate for educational services, are made available to schools.

SAFEGUARDING PRODUCTION AND EMPLOYMENT

It would obviously be unsound to dispose of educational surpluses in a way that would endanger the normal flow of trade between schools and industry. Were surpluses employed to reduce the normal buying of school purchasing agencies, the effect would be to close some of the Nation's factories or else harmfully to curtail normal production and employment. This undesirable effect should be, and can be, avoided in giving effect to the National Education Association proposal through good judgment in the administration of whatever provisions on this score Congress itself may deem just and reasonable.

With this in mind, it is proposed that, in demonstrating eligibility to receive transfers of materials without cost from the Nation's stock pile of surpluses, a school system or any institution of higher learning should show substantial evidence that its plan of spending, as set forth in its budget, contemplates normal operations on the basis of its past experience.

PRINCIPLE OF NEED IS UPPERMOST

In giving effect to the proposal advanced for committee consideration, it is to be noted that the emphasis throughout is on the principle of need, with special reference to actual needs which exist after school purchasing agencies have utilized their normal fiscal powers.

The National Education Association is vigorously opposed to any system of surplus disposal which would in effect result in the indiscriminate allocation of properties and materials to school systems or to institutions which might not exercise due diligence or sound judgment in appraising their needs.

In any event, such estimates of need should be carefully appraised by properly constituted responsible State authorities and, following that, as necessary, they should be subjected to the cooperative evaluation of State authorities and a Federal agency—such as the United States Office of Education—to be named by the Congress.

In the distribution of surplus materials on the basis of need, stress is placed upon the principle that such materials should first go to the school systems and institutions of higher learning in which needs are most urgent, thereafter in descending order as may be determined by State and Federal agencies authorized to evaluate the evidence of needs provided by such school systems and institutions. It is in this connection important to recognize that the chances against equitable distribution within a State are as great as those that would exist between States. For that reason it is of the highest importance that legislation specify both State and Federal agencies to govern the allocation of materials under such rules and regulations as may be approved by the administrator. This arrangement is good business as contrasted with what might otherwise become nothing more than charity for the reason that placing surplus materials where they are needed but have not been used before will undoubtedly tend to build an expanding market.

BREAK-DOWN OF PROPOSAL

The proposal of the National Education Association, as originally stated, and with the foregoing considerations in mind, recommends that disposal of surpluses appropriate for educational uses be generally patterned as follows:

1. That properties, equipment, supplies, and other materials acquired for educational services by the armed forces be transferred to the United States Office of Education for allocation without cost to the States on the principle of demonstrated need.

2. That after school purchasing agencies have shown evidence of planning for normal business, as determined by past experience, such school systems and other institutions be given prior call upon surpluses appropriate for educational use, subject to demonstration of fair and reasonable need.

3. That in the event such transfers cannot be made without cost to privately supported and privately controlled school systems and institutions, such school systems and institutions be permitted to purchase appropriate materials at a nominal cost.

4. That the Congress fix responsibility for administration of the disposal of educational surpluses in a Federal agency; e. g., the United States Office of Education, subject to such rules and regulations as may be approved by the Federal administrator.

PROVISIONS OF H. R. 5125 ARE INADEQUATE

The provisions of H. R. 5125 are exclusive of some of the factors presented in this statement.

Section 11 (a) reads: "Wherever any Government agency is authorized to dispose of property under this Act, then, notwithstanding the provisions of any other law but subject to the provisions of this Act, the agency may dispose of such property by sale, exchange, lease, transfer, or other disposition, for cash, credit, other property, or otherwise, with or without warranty, and upon such other terms and conditions as the agency deems proper.

"(b) Whenever the Government agency authorized to dispose of any property finds that it has no commercial value or that the cost of its handling and sale would exceed the estimated proceeds, the agency may donate such property to any agency or institution supported by the Federal Government or any State or local government, or to any nonprofit educational or charitable organization, or, if that is not feasible, shall destroy or otherwise dispose of such property."

The foregoing provisions make liberal grants of authority to the administrator in point of disposing of surpluses but these grants are in nowise restricted, as indeed they should be, by consideration of such factors in relation to education as (1) demonstrated need; (2) the obligation of Federal Government to replace school equipment and supplies and to offset depreciation of school plants resulting from the war effort; (3) inability of school systems and institutions of higher learning to make such replacements out of their own current revenues; (4) application of the principle of priorities to encourage the return of education to at least its pre-Pearl Harbor status in point of equipment, materials, and supplies; and (5) designation of a Federal agency, on the national level, to receive transfers of surplus properties, materials, and supplies on behalf of education and to cooperate with the States in screening analysis of school needs reported from the localities.

It is, in conclusion, proposed that the grants of authority extended the Federal administrator in section 11 of H. R. 5125 be retained, and that they be supplemented in such manner as the committee may recommend and the Congress finally determine to provide for the arrangement set forth in the section of this statement entitled "Break-down of Proposal."

ARLINGTON SEATING CO.,
Arlington Heights, Ill., August 16, 1944.

Re. *Disposal of War Surplus Materials.*

Hon. JAMES E. MURRAY,
United States Senator, Washington, D. C.

DEAR SIR: We very strongly urge your support to the disposal of war surplus materials according to the proposition submitted by Mr. Marston, of National Education Association of the United States, as of August 9 and the added paragraph of August 10.

Being familiar with the financial structure of the public schools over a very large part of our country we have found in a great many localities schools that assess the maximum tax rate are unable to raise sufficient money to pay a reasonable salary to teachers leaving them without funds to buy equipment. If these surplus war materials that are usable could go to these schools, it would be a tremendous help in raising the level or educational standard where it is most needed. We are definitely making this appeal without any selfish motives. We feel positive that a disposal of surplus war materials in this way will not affect the regular school furniture and equipment market or endanger employment. We hope you will see your way clear to give this matter your favorable consideration.

Very cordially yours,

C. E. MCWHARTER, *Vice President.*

HEYWOOD-WAKEFIELD CO.,
Gardner, Mass., August 17, 1944.

The Honorable JAMES E. MURRAY:
United States Senate, Washington, D. C.

Subject: Disposal of Government Surplus Properties and materials in Relation to Public Education.

DEAR SENATOR MURRAY: Under date of August 10, Mr. R. B. Marston, director, legislative and Federal relations division, National Education Association, submitted to the House Committee on Expenditures in the Executive Departments a statement having to do with the disposal of Government surplus properties and materials in relation to public education.

It is estimated that the Army's purchases of school furniture comprise a total of 2 years' school furniture production of the industry and we regard it as most important that all surplus equipment be disposed of in a manner which will not either affect the post-war market or endanger the employment of those engaged in its manufacture. If the disposal of this equipment could be directed by the United States Department of Education and offered to schools that are absolutely without equipment and means to provide equipment, it would be a most constructive social and economic move.

Legislation in reference to this matter will undoubtedly come before the Senate and we wish to urge the importance of the program and the adoption of Mr. Marston's suggestions.

Very truly yours,

F. K. HILL,
Manager of Sales, Public Seating Division.

MISSISSIPPI SCHOOL SUPPLY CO.,
Jackson, Miss., August 17, 1944.

Senator JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: The writer has read the proposal submitted to the House Committee on Expenditures in the Executive Departments by Mr. Marston. This proposal is so vital to the welfare of public education that it should challenge the interest and secure the approval of the public generally.

However, it is also vital to the industry of which I happen to be a small part, namely the school supply and equipment business whose future welfare is inevitably tied to the solution of the problem of the disposal of surplus educational goods.

It is unnecessary to state the case, which must be entirely familiar to you in its over-all proportions. The correct answer to the surplus materials problem does not relate to our industry alone but is vital to the economy of the entire country.

Mr. Marston's proposal is a very salutary one from the perspective of education and industry alike. I sincerely hope that it meets with your approval and that the administrative plans as set up will give large emphasis to the ability to purchase in the interpretation of the need of an institution for surplus educational materials, and that priority will be given to those with least purchasing ability and greatest need.

Sincerely yours,

BOYD CAMPBELL.

BARDEEN'S INC.,
Syracuse, N. Y., August 23, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

MY DEAR SIR: It has come to my attention that Mr. Marston of the National Education Association has made a proposal for the disposal of war surplus materials to be used by the educational systems of the United States. An addition to the original proposal has been made advocating that such surplus materials be made first available to those needy institutions which would otherwise be without any equipment.

There are many such institutions throughout all States. The majority of them, however, will be found in the South.

If these materials can be disposed among those destitute schools it will serve the purpose of enlarging the educational opportunities for many thousands of pupils. It will also remove a very dangerous element from the market which is capable of creating widespread unemployment.

I would like to urge your consideration of these points in whatever action you take regarding the disposal of surplus materials.

Yours very truly,

BARDEEN'S INC.,
H. F. MARTIN, *President.*

THE PEABODY CO.,
North Manchester, Ind., August 24, 1944.

Re Disposition of surplus properties and materials as related to public education.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SENATOR MURRAY: On August 10, 1944, Mr. R. B. Marston, director of legislative and Federal relations division of the National Education Association, submitted to the House Committee on Expenditures a proposal in connection with the above subject.

During the past 2½ years it is estimated that the Army's and Navy's purchases of seating for schools, including chairs for camp use, were equal to approximately 2 years of total production of the entire public-seating industry. Doubtless large quantities of this material will be classified as surplus goods and if distribution of same is not judiciously handled the market of the public-seating industry will suffer tremendously and in many factories unemployment will result.

Congressman Colmer's surplus property disposal bill, H. R. 5125, was passed by the House several days ago and, although I have not seen a copy of the bill, I am of the opinion that Mr. Marston's suggestions were probably not incorporated in the bill.

This letter, therefore, is being addressed to you, urging the importance of the adoption of the program suggested by Mr. Marston. There are thousands of schools in the United States that have absolutely no seating equipment whatever. For example, in the State of Mississippi alone it is estimated that there are 1,500 Negro schools that do not have any school furniture and have no means with which to purchase needed equipment. It would be highly desirable, therefore, for surplus seating to be disposed of through the United States Department of Education and offered first of all to schools of this type, not only for the purpose of benefiting our industry but, also, to accomplish a higher educational level. Your support of this plan will be appreciated.

Yours truly,

F. J. GINGERICK.

[Night letter]

AUGUST 12, 1944.

Hon. JAMES E. MURRAY,
Senator from Montana,
Senate Office Building, Washington, D. C.:

Engineering College, New York University, is greatly concerned over provisions in various Senate bills providing distribution of surplus war materials for vocational education use restricted to tax-supported institutions. Our college and many other tax-exempt but privately endowed institutions have contributed greatly to war effort and would be unreasonably discriminated against by this provision. We have trained over 14,000 in special war courses last 2 years of which over 4,000 have been for military services. We urgently request your support to provide equal opportunity for tax-supported and tax-exempt educational institutions in distribution of surplus war material.

THORNDIKE SAVILLE,
Dean, College of Engineering, New York University.

NEW YORK UNIVERSITY,
COLLEGE OF ENGINEERING,
University Heights, N. Y., August 14, 1944.

Hon. JAMES E. MURRAY,
Senator from Montana,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MURRAY: As a distinguished alumnus of New York University, and as an influential figure in the United States Senate, I sent you on Saturday a telegram copy of which is enclosed herewith.

I think you must be aware that the College of Engineering at New York University is one of the largest in the United States, and that it has contributed powerfully to the war effort through many training and research programs undertaken at the specific request of the military services, Government agencies, and war industry.

We have trained great numbers of meteorologists for the Air Forces, a service which was capable of being performed at only four other institutions in the United States. We were the first institution in New York State to have an Army specialized training program. We have trained literally thousands in the special intensive short engineering courses for war industries under the auspices of the United States Office of Education. We have run courses for the Signal Corps, for the Ordnance Department, and for other branches of the services. Our wind tunnel has been in constant use almost day and night in connection with the development of new airplanes for certain airplane manufacturers. We have conducted many other research projects related to the war effort.

In all of this our services have been performed under very great stress, under terrific overloads for the faculty and administrative officers, and at a cost less than our normal ordinary tuition income. We have served to the very limit of our extent and, by general acknowledgment of the military services and others, have performed well.

Now, I understand there are various bills before the Senate providing for the disposition of surplus war materials. I understand that all of these bills contemplate a high priority in the disposition of such surplus war material to be given for vocational training uses to educational institutions. Unfortunately, I am told that all of these bills limit the disposition of such property to institutions for vocational and similar training purposes to institutions which are tax-exempt. In other words, in general, only State supported or municipal supported institutions would be eligible.

If this restriction remains in these bills, many of the finest engineering colleges in the United States, which are already laying plans for vocational-technical training of returned veterans and for similar training for engineering personnel used in the reconversion of industry, will be at a serious disadvantage because they are not tax-supported.

This seems to me a most serious discrimination against institutions which have loyally supported the Government in the war effort, and often at great inconvenience and expense to themselves. It seems inconceivable that the Senate should knowingly take this point of view.

I hope very earnestly indeed that you may use your best efforts to place on a parity with respect to the disposition of surplus war materials any educational institutions which are tax-exempt and accredited by the respective State boards of education.

Cordially yours,

THORNDIKE SAVILLE, *Dean.*

AUGUST 14, 1944.

STATEMENT OF THE AMERICAN VOCATIONAL ASSOCIATION, INC., SUBMITTED BY L. H. DENNIS, EXECUTIVE SECRETARY

The American Vocational Association is an organization representing the vocational education leadership, directors, supervisors, coordinators, vocational counselors and vocational teachers, throughout the Nation. The American Vocational Association is an organization of approximately 25,000 of these individuals.

By this time it is a pretty well-known fact that the public vocational schools of this country have made a significant wartime contribution through the training of more than 7,000,000 individuals for war production industries and in pre-induction training. More than 5,000,000 persons were vocationally trained for war-production industries.

The vocational war production training program was possible on short notice, in fact almost overnight, on a 24-hour, round-the-clock training basis, because these public vocational schools had already been in operation many years, training workers in many occupational fields.

When the defense and, later, the war emergencies were suddenly thrust upon us as a nation, these public vocational schools immediately made their training personnel and equipment available for vocational war production training purposes. Some of the equipment of these public vocational schools has now been in use in this war emergency training program for more than 4 years. Much of it has been in constant use 16 or 24 hours per day, 7 days per week.

It is quite evident, therefore, to all, that this vocational training equipment, so willingly and so completely used in the national interest, should be replenished from national resources. Furthermore, it will be an excellent national investment to provide these public vocational schools with adequate modern equipment to enable them to function again equally efficiently in a reconversion vocational training program for returning veterans and for workers demobilized from war industries.

In addition to this, we shall need well-equipped vocational schools to assist youth in the post-war era when undoubtedly we shall experience a period when the occupational adjustments of youth will be more difficult than now. Furthermore, in this new period the entrance age into employment for youth will undoubtedly be much later than now. Good, well-functioning, well-equipped public vocational schools, experienced in the occupational adjustment programs for youth, will render an increasingly important service in the economic and social stability of youth in this more difficult period for youth.

The American Vocational Association, therefore, suggests and urges that surplus Government-owned property suitable for use in the public vocational schools of this country, should be made available to these public vocational schools by the Federal Government at very little expense to the schools. The American Vocational Association is of the opinion that it would be a wise procedure for the Federal Government to distribute such surplus equipment to public vocational schools on a gift or loan basis.

If S. 2045 is to be enacted into law, the American Vocational Association suggests that section (d) at the top of page 10 be revised to read as follows:

"(d) Property suitable for and to be used in tax-supported and tax-exempt public vocational training institutions may be transferred without cost to State boards for vocational education for use in such tax-supported or tax-exempt institutions exempt from taxes under section 101 (6) of the Internal Revenue Code in such manner and to such extent as the Administrator deems advisable. In order that this equipment may be transferred and placed in readiness to be of service in the reconversion training period, such property may be transferred to such public vocational training schools before and after the termination of the war, at such times as the Administrator may deem advisable."

THE DEPARTMENT OF CLASSROOM TEACHERS OF EAST BATON ROUGE PARISH,
August 15, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: The problem of disposing of surplus war materials at the end of the war will require the greatest possible wisdom of our leaders in Congress, and we, the classroom teachers of East Rouge Parish, would like to suggest to you a solution which we feel is not only wise but which will provide the maximum benefit from these materials to the greatest number of American people. Because much of the surplus materials can be used advantageously and in many cases are urgently needed by the schools of our Nation, we feel that this disposition of them should receive first consideration. We appeal to you to devote the full weight of your influence to securing for the public schools of the United States the use of these materials which will do much to prepare our youth more fully to meet the tremendous responsibilities of the post-war world.

Sincerely yours,

LILLIAN KENNEDY, *Corresponding Secretary.*

BOONEVILLE CHAMBER OF COMMERCE,
Booneville, Ark., August 15, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs,
Washington, D. C.

DEAR SENATOR MURRAY: It has come to the attention of the Booneville Chamber of Commerce that the Surplus War Property Administration will from time to time have much surplus Government property to dispose of which might be of valuable service to our educational institutions. If this is the case, we as an organization are vitally interested. Since your position in the United States Senate brings you in close touch with this plan of surplus property disposal, and since you are in a position to lend us valuable assistance in this matter, I, as chairman of the Booneville Chamber of Commerce committee on education, have been authorized to write you asking for whatever assistance and information you may be able to furnish us.

We are anxious to learn what property is, or will be available, when and where we may obtain it, and just how we would go about getting possession of the property. We are interested in this property for the benefit of all of the schools of our county, and we shall be very grateful to you for whatever assistance you may be able to give us in the matter.

Thanking you for this kind favor, I am,

Very sincerely yours,

H. G. MOORE,
Chairman, Educational Committee.

CALIFORNIA POLYTECHNIC SCHOOL,
San Luis Obispo, Calif., August 16, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs,
Washington, D. C.

DEAR SIR: I understand that serious consideration is now being given in the Congress to the disposal of surplus war properties and equipment suitable for schools and colleges. I understand, too, that even as the war progresses and immediately after the close of the war, there will undoubtedly be a huge stock sale of aeronautical equipment, electronic equipment, visual aids of various kinds, musical instruments, shop tools, leboratory equipment, transportation equipment, etc.

The California Polytechnic School, a State technical college for agriculture and industry, could benefit greatly and in turn be in a position to more quickly serve returning veterans at the close of the war, if it is possible to secure needed equipment that may be included in our surplus properties as soon as it can be made available.

We anticipate that it might be some time before needed school supplies and equipment could be had through the ordinary channels, and indications now are that there will be an important need for these things earlier than we had expected. This college is interested in a wide variety of industrial equipment since we specialize in electrical engineering, air conditioning engineering, and aeronautical engineering. Likewise, in connection with our agricultural operations instruction and related laboratory sciences we will have need for certain equipment.

Because the taxpayers of the several States have in effect already purchased this equipment, State legislatures have a right to expect schools and colleges to secure everything possible from surplus sources.

I hope that you may be in a position to encourage appropriate legislation which will make surplus war property available to the schools and colleges of the country.

Very truly yours,

JULIAN A. MCPHEE,
President, California, Polytechnic School.

BARBOUR COUNTY TEACHERS PLANNING COUNCIL,
Belington, W. Va., August 16, 1944.

Senator JAMES E. MURRAY,
Washington, D. C.

DEAR SIR: The Barbour County Teachers Planning Council endorses the policy of the distribution of surplus war materials to tax-supported education at no cost to the schools.

We urge your support of this legislation that will make available such surplus war property to schools and colleges as will be most useful for the training of our American youth and war veterans. Please give this your serious consideration.

Yours truly,

HAZEL E. BEAUMONT,
Member of the Planning Council.

BOARD OF EDUCATION,
Harrison, N. Y., August 17, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs, Washington, D. C.

DEAR SENATOR MURRAY: Our board of education strongly urges your support of legislation which will make surplus war property suitable for educational use, available to schools and colleges, without cost, except for the cost of transportation.

Surplus war property has been paid for and will continue to be paid for by the same taxpayers who provide the revenue to support our educational institutions. The sole result of this request for legislation would be to transfer public property from a Federal agency to that of a State or local agency. Thus it would be both sound economic and social policy.

It will be extremely difficult also for some time after the war for educational institutions to be able to secure supplies and equipment which have worn out and which we were unable to replace because of the war. This surplus equipment will serve a real public need in fitting our future citizens and returning veterans for the responsibilities and life ahead of them.

We sincerely trust that we may have your support of this necessary legislation so that surplus property of educational value will be put to the best possible use for the public good.

Respectfully yours,

HENRI W. LANGE, *President.*

UPPER SANDUSKY PUBLIC SCHOOLS,
Upper Sandusky, Ohio, August 17, 1944.

Senator MURRAY,
Washington, D. C.

DEAR SENATOR MURRAY: Without a doubt there will be a surplus of war material and supplies following the close of the present world conflict. The American people are paying for the material that has been used and for the surplus which will be available after the war.

Since the taxpayers have paid for the material once, it should not become necessary for them to pay for it the second time. Certainly it would be to the advantage of our public schools and through them to our Nation, to distribute the material to the public schools of our Nation. Appropriate legislation can make this disposal of wartime surpluses possible.

Your influence in securing proper legislation will be highly appreciated by our constituency.

Thanking you for your attention to this matter, I am

Sincerely yours,

GEORGE RILLING, *Superintendent.*

MAINE TEACHERS' ASSOCIATION,
Augusta, Maine, August 17, 1944.

Senator JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

MY DEAR MR. MURRAY: As a teacher and a member of the executive committee of Maine, I am writing to ask your help in turning back to the schools of the United States the excess war materials that could be so advantageously used in classrooms.

It surely doesn't seem exactly fair to put this valuable material into the hands of businessmen who will sell it again at a big profit. Surely education is too important to allow anything that would keep, to be passed by.

Thanking you for your interest, I am

Very truly yours,

MARY W. PEASE.

W. P. HURST MOTOR CO.,
Longview, Tex., August 18, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: Referring to the war surplus of merchandise of materials and machines useful in educational purposes, I would like for you to know our school officials' attitude as to the distribution of such materials and machines.

Inasmuch as this equipment has all been purchased and paid for by the taxpayers of this Nation we feel that the best distribution should be to our educational institutions whereby the value would be fully utilized and beneficial to the taxpayers and our Nation as a whole. From past experiences we know that Government surplus materials and machines are usually disposed or at a very small percent of the value whereby the purchasers invariably require a huge profit before being sold to the user.

Our schools are not in position to bid on such equipment, thereby being denied opportunities of securing badly needed materials and machines, so we earnestly request your assistance toward a plan whereby this very necessary equipment and machines can be distributed to our educational institutions.

Yours very truly,

LOCAL INDEPENDENT SCHOOL BOARD,
W. P. HURST, *President.*

THE BOARD OF EDUCATION,
Toledo, Ohio, August 18, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

MY DEAR MR. MURRAY: At the close of the war there will be large quantities of surplus Government supplies many of which may be used advantageously by schools. It would seem that the Government should make these supplies and equipment available to schools and colleges.

There will be many types of educational materials that have been used in the military training program that could be installed for effective use in school shops, laboratories, and school rooms. Because of the high pressure under which school shops have been operating during the war much of their equipment will be worn out or badly in need of rehabilitation.

It is our hope that Congress will pass legislation making these materials available for educational institutions. We are urging you as a Member of Congress to do what you can in the support of such legislation.

Very truly yours,

E. L. BOWSHER, *Superintendent of Schools.*

MONTANA STATE GRANGE,
Libby, Mont., August 18, 1944.

Hon. JAMES E. MURRAY,
United States Senate, Washington, D. C.

DEAR SIR: In view of the fact that the schools of Montana as well as those throughout the United States will need a vast amount of new equipment and

supplies after the war, if they are to continue to improve upon the education being offered the youth of the Nation, the Montana State Grange urges that Congress be asked to make available to the schools at no cost, such supplies as they can use from the surplus war materials.

They believe that this is desirable but that the following points should be kept in mind: (1) Surpluses should be disposed of with due regard to the welfare and the stability of our national economy following the war; (2) these materials are the possession of the American taxpayer, and have been paid for; (3) the schools of the Nation with few exceptions are without buying power to compete for the possessin of surpluses; (4) the schools are in great need, particularly because of the depreciation resulting from wartime uses to which school plants and their contents have been applied; (5) allocation of needed surpluses to our national education systems will lessen the threat inherent in these surpluses to our national economy.

Thanking you for your attention to this matter and for the placing of it before your committee for further consideration.

I am,

Sincerely yours,

JULIA A. BEEBE, *Publicity Committee Member.*

ROSSFORD VILLAGE SCHOOLS,
Rossford, Ohio, August 19, 1944.

Hon. JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR MR. MURRAY: I understand that there is sentiment in Congress for the enactment of legislation to make surplus war equipment available to public schools without cost. I wish to commend the general idea involved. The taxpayers of the Nation have already provided, or are providing, these goods for the national emergency through Federal spending, a fact which should justify the transfer of any surplus equipment back to the people for use in the training of the Nation's future citizens and taxpayers. I believe legislation to this end should be enacted by the present Congress.

Respectfully yours,

F. R. MCLAUGHLIN, *Superintendent of Schools.*

A PROPOSAL FOR SUPPLEMENTING THE USUAL PROCUREMENT PROGRAM OF TAX-SUPPORTED SCHOOLS BY DONATIONS OF CERTAIN SURPLUS WAR PROPERTY

(Statement submitted August 21, 1944, to the War Contracts Subcommittee of the Senate Military Affairs Committee by John W. Lewis, assistant superintendent of schools, Baltimore, Md., and chairman of committee on post-war surplus property of the Association of School Business Officials.)

Any proposal concerning post-war surplus property in relation to the needs of public education should be judged on the basis of three important criteria. First, the method of disposal should benefit business, stimulate reemployment, and assist in the readjustment to a vigorous and healthy economy, without which the normal sources of tax support for education would be undermined. Second, the disposal of surplus property should contribute to a socially desirable purpose. Third, that method of disposal should conserve the interests of the taxpayer, who in the last analysis pays the bill. I shall attempt to outline a proposal for the donation of certain surplus war property to tax-supported educational institutions which will meet each of the three criteria outlined above.

Any plan of donating certain surplus war property to tax-supported schools should supplement, not supplant the regular procurement program of the schools. As a condition of receiving donations, schools should be required to spend the same amount of money or to buy their usual volume of materials in substantially the same categories as has been their usual practice. This will insure a continuance, in their usual volume, of those businesses conecrned with school supply.

It would be difficult to arrive at an exact measure of what schools can afford to buy. Probably the closest measure we have of what schools can afford is the average amount spent over a period of years for such commodities. Such expenditures represent, in general, the best public judgment of what the community could afford. If, then, we require schools to maintain their usual volume of pur-

chasing, donations of property should permit the schools to catch up on deferred maintenance and replacement which they have not been able to afford, and also to provide facilities for the enrichment and expansion of the educational program.

The determination of what constitutes the usual procurement program of a school system can be made on the basis of objective data of past purchases. Moreover, firms doing business with school systems know the customary quantities purchased. Adherence to the requirement of maintaining the usual purchasing volume is not difficult of administration.

The need for supplementing the usual procurement program for schools is not confined to the so-called backward or economically underprivileged areas, although there it may be even more acute. At first thought, it might be judged that the larger cities have been able to care adequately for their school programs. This, however, has not been generally true. To meet the need of all municipal services, including education, many cities have had to rely principally on a property tax which has been stretched to the breaking point. Heavy debt service, shrinking property values, the movement to the suburbs to escape high taxes, the development of blighted areas all add to the increasing financial problem of the cities. Education has suffered along with other municipal services. Where a city has operated under tax limitation its problems are even greater. A situation which was bad before the war has grown steadily worse during the war. Deferred maintenance and replacement have piled up. To keep operating at all in face of the competition of war industry the cities have had to make large expenditures for salary increases, making it impossible to build up any maintenance or replacement reserve.

While all the factors are not identical in every city, the problems in all are very similar. It might be helpful to give some details of our situation in the Baltimore Department of Education. We are generally conceded to operate a good school system but to operate with inadequate funds. For several years we have had inadequate funds for the maintenance of our buildings and grounds. Our maintenance budget of approximately $200,000 is only four-tenths of 1 percent of the valuation of our buildings and grounds ($50,000,000). It is generally conceded that from 1 to 1¼ percent of the valuation is essential for proper school maintenance. A recent survey indicated that we have a backlog of not less than $1,000,000 of deferred maintenance, and an additional half million dollars of needed improvements, such as new heating and plumbing installation, new wiring and lighting to raise the level of illumination, etc.

Our problem of modernization and replacement of equipment is also beyond our financial ability to handle. A survey of our typewriters used in administrative offices and for instructional purposes, in March 1944, showed a total of 2,261 machines in service. Of these, 1,637, or 72 percent, were more than 10 years old. In fact, 590, or 26 percent, were more than 15 years old. A survey of other office machines such as bookkeeping machines, calculating machines, duplicating machines, etc., used mainly for instruction, showed a total of 630 machines, a woefully inadquate number. Of these machines, 531, or 85 percent, are more than 10 years old. Of our total inventory, 70 percent (440 machines) are more than 15 years old.

The situation relative to machine tools in our high school shops and in our vocational schools is equally depressing. In one technical high school alone there is need of replacement of $200,000 worth of machine tools. Some of the lathes in this school are more than 40 years old and are of the type used to provide munitions for the Spanish-American War. Many of these machines are belt-driven while most modern practice dictates individual motor drive. The condition of our machine tools which was already bad has grown steadily worse during the war. Several schools carrying war production training around the clock on a 24-hour basis have put the equivalent of 10 years' normal usage on these machines. Although the Federal Government paid for any repairs, no payments were made for the extra depreciation of this equipment.

These are but samples which would be multiplied many times by a full survey of all types of equipment needing replacement—long overdue, and of a type of equipment that will be found in profusion in the post-war surplus material. A modern program of education can use a much greater variety of items to be found in war surplus materials than is generally supposed. A large school system will require the purchase of 20,000 to 25,000 different items each year. To list some of the types of vocational shops will suggest the diversity of demand: Electrical, electronics, welding, sheet metal, machine, automobile, airplane, woodworking, pattern-making, printing, plumbing, sewing and power machine, tailoring, etc. It will be highly important for these shops to secure modern equipment to catch up with the improvement of techniques and equipment developed during the war. If radar, for example, is to be more widely used, we must have the necessary equipment upon which to train those who will service and operate it. Undoubtedly there will be a surplus of scientific and precision instruments and testing equipment which would be of use primarily to laboratories and educational institutions. On the open market, sales of this equipment would bring only a small part of its value. Schools have relatively few sound motion picture projectors which the armed services have found so efficient in improving the speed and quality of instruction. Without a knowledge of all the probable types of surplus war equipment a complete listing of items would be impossible. However, in addition to those listed above, we might mention: Equipment for expanded cafeteria and school lunch room facilities, audio-visual aids, laboratory equipment, office machines, musical instruments, athletic and sports equipment, photographic equipment, trucks, busses, and other transportation equipment, building and construction equipment.

We might lay special emphasis on the need for securing additional equipment out of post-war surplus to provide for an expanded program of vocational education. Many of the returning soldiers will not have the necessary educational preparation to enter college and will seek vocational training or retraining in the public schools. It will be important to hold pupils in school longer to keep them out of competition for jobs. Many of these pupils would profit most from a vocational curriculum. There will be large quantities of surplus property particularly well suited to fill this need.

I might give an illustration in my own city of Baltimore to show how a plan of donations of equipment would fit in with a program of expanding vocational facilities. We plan on providing additional vocational schools out of a $10,000,000 loan approved by the voters a few years ago. Because of the shrinking value of the dollar, this money will provide for the replacement of only part of the obsolete structures needing replacement and will provide for only a part of the additional facilities such as those for vocational education. One vocational school needs a building costing approximately $1,500,000 and equipment costing approximately $500,000. Because of other pressing needs, only two-thirds of this unit can be built immediately following the war. The greater the amount of equipment which could be secured as a donation, the larger will be the building to be constructed, and the larger the building the greater will be the employment created.

The war has placed on some communities the burden of providing permanent school facilities for low-cost permanent housing developments in new areas of the community. In our own city the cost of providing permanent school facilities for two such developments, one of 1,700 housing units, the other of 1,200 housing units, will be one-half million dollars. One housing unit assessed for approximately $3,000 at a tax rate of $2.85 would pay taxes of $85.50, or less than the current operating expense for educating one child per year, without regard to the amount required to amortize the cost of necessary new schools, and without regard to the cost of all other municipal services which the tax must cover. (Taxes on the largest war industry in which these people are employed are paid to an adjoining county.)

In those cases where permanent school facilities have been provided out of Lanham Act funds and where these facilities will be needed permanently for school use, they should be donated to the school district. The United States Government has erected these schools in many districts where the war has caused a need for additional school facilities. Their utility is particularly educational. However, if they are disposed of for other purposes, many communities will not have the necessary educational facilities where the need for those facilities continues on a permanent basis. In many instances there would be no other satisfactory site available. The burden of providing needed facilities and services other than schools will be far greater than any tax received from these low-cost housing units.

If time permitted, I could give an unlimited number of examples to show that schools have been suffering from malnutrition as concerns material and equipment. The competition with other municipal services for a share of the taxpayer's dollar is becoming increasingly acute. We who are engaged in the business aspects of education realize that we have little hope of getting what the schools really need. We can spend to the limit of the funds which we have been getting or are likely to get, but if we are realistic about it, we must

conclude that after all this has been spent we will still be on a starvation diet. Some such program as donation of surplus equipment is, for a very long time, our only hope. It is our only opportunity to catch up deferred maintenance and replacement and provide the facilities for the improvement and extension of the educational program. It is highly important for our national welfare that schools be given every possible help in carrying forward a strong, well-rounded program of education. While I have stressed the need of the cities, the need of the economically underprivileged areas is undoubtedly even more apparent.

Having sketched something of the problems of education in relation to financing an adequate procurement program, and having proposed a plan of donations of certain war surplus property to schools, let us examine the proposal in the light of the three criteria which any sound proposal should meet.

The plan of donations of certain surplus war properties to schools to supplement their regular procurement program will benefit business, stimulate employment, and assist in the readjustment to a vigorous and healthy economy.

Requiring the schools to continue their usual procurement program in the same volume and categories would insure that firms engaged in the business of supplying school needs will secure business in the same volume to which they have been accustomed.

Alternate plans would be much less favorable to business. If the plan were adopted to direct sales from the Federal Government to schools, even at prices which represented special discounts to schools, the amount of money available for procurement through regular trade channels would be reduced to the extent that budget funds were used to buy surplus war property. There would be a danger of the schools buying such a large percentage of their requirements from surplus that normal school supply and equipment business would be greatly depressed and still school needs would not be fully met.

A sale to speculators for resale to schools at huge unearned profits would be even worse. The higher prices would cut even deeper into the funds available for procurement through regular channels. Schools would be subject to criticism if they did not buy at the best prices available and would be forced to buy from the speculator if his prices were lower than those of established trade channels, regardless of the disastrous effect on business. Many types of machines the speculator would sell not only to schools but on the general market as well. Every machine donated to schools takes it out of competition with established thus retarding the readjustment of industry with consequent unemployment. Every machine donated to schools takes it out of competition wih established business.

The modernization and improvement of school equipment will have a stimulating effect on business. The best way to develop a demand for a modern stove or a modern electric refrigerator, for example, is to place them in the home economics departments of our schools. A student who learns to operate a modern calculating machine will urge the replacement of any obsolete machine in the first office in which he gets employment. The demand for commodities developed during the war will be greatly stimulated by having such commodities or machines available in our schools and by having students trained to operate or service them. In the filed of visual education the development of a sufficient library of suitable films awaits the sale of sufficient projectors to justify their production. On the other hand, sufficient projectors will not be sold until the library of films is adequate. Donations of sufficient projectors will bring about the production of suitable educational films in a volume which will lead to the sale of still more projectors.

In the long run the best way to stimulate the school supply business is to have the taxpayers or school patrons learn the value of an adequate supply and equipment program. Just as the owner of an automobile is reluctant to go back to walking, so the taxpayers or school patrons will insist on retaining an adequate supply program once they have become accustomed to it. Many businesses will also find that increased equipment in schools means more service and supply business to keep the machines operating.

Another proposal which has been suggested is to withhold surplus materials from the market for a 5-year period to permit the readjustment of industry. With a provision against resale, equipment donated to schools would be as effectively removed from the market as if it were piling up storage charges in a warehouse. More significantly, during this period it will be partially used up in a socially and economically useful purpose. The postponement of the problem for 5 years has many disadvantages. Some materials will be subject to

deterioration. Some machines may become obsolete and no longer as valuable for instruction purposes, if instruction is to be given on the most modern type of equipment. This plan may have a very serious effect on business in that the equipment would come up for disposal at a time when business is coming to a possible end of the backlog of purchasing power built up during the war.

In short, the best possible help, both to business and to the schools, will be to remove from the market and donate to schools such surplus property as will contribute to the educational program and which the schools, because of financial limitations, cannot afford to buy.

This proposal will meet the second criterion in that it will contribute to a socially desirable purpose. We need no argument to prove that the best foundation on which to build the solution of our increasingly complex political, social, and economic problems will be a well-rounded, well-supported system of democratic education. The student we graduate today will be a voter for the next 50 years. Who can say what demands will be made on his intelligence during that period? Neither must we forget that the best foundation for our national security is the educational background and the scientific and mechanical skills which, in spite of our educational handicaps, have made possible the mobilization of industry and the development of the best trained military force in history.

A proposal for donation instead of sale insures that communities needing the greatest help could gain equivalent benefits. Under a plan of sale no school system could afford to purchase the total quantity of surplus materials it could use to advantage. Those having most adequate budgets would divert from their regular procurement program sufficient money to get an unfair proportion. Those having less funds to divert (the school systems having greatest need) could profit only to a much smaller degree. A plan of donation therefore makes for greater social value in that benefits are more equitably distributed.

Canada has recognized the desirability of strengthening their schools by donations of surplus war property and has already sent out lists of certain post-war surplusses which will be made available to schools, post-war, on a donation basis.

The proposal meets the third criterion in that it safeguards the interest of the taxpayer. The taxpayer of the present and of the future who must pay the bill for all war properties will get the full benefit of any property donated to tax-supported schools. If his benefits are limited to the bargains his overworked property-tax-dollar can buy they will be limited indeed. The lion's share of the benefit will go to the speculator who, in the most favored buyers' market in history, will buy for a fraction of its value property which could be better used to bolster our half-starved educational program.

Any suggestion for removing this surplus from the local market by lend-lease or donation abroad would be much less to the advantage of the taxpayer than if it were donated to tax-supported schools. Either the payment would be inadequate or it would be adequate. If inadequate, it represents a loss to the taxpayer. If adequate, and the I. O. U.'s are eventually collected, they must, in the last analysis, be paid in terms of things, which may not be of as much utility as the properties now at hand, and which at that time will be in competition with the products of our own industries. No property which can be profitably used by schools should be disposed of by lend-lease.

Very few proposals submitted for the disposal of surplus war property will be without some objection. Any proposal which at the same time is beneficial to business, serves a socially useful purpose, and conserves the interest of the taxpayer should be welcomed by Congress as one step in the solution of the problem. Since the proposal to supplement the usual educational procurement program by donations of certain surplus materials meets these three tests, it should be included in any legislation for the disposal of surplus property.

CHAMBER OF COMMERCE,
Salt Lake City, August 21, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contract Subcommittee of Military Affairs,
Washington, D. C.

DEAR SENATOR: In the consideration of the disposal of accumulated surplus of supplies of foods, equipment, and other materials, we should like to call your attention to the fact that large quantities of these surpluses can easily be dis-

posed of through local State, city, and Federal agencies thereby reflecting to the advantage of all taxpayers.

As an example, the Salt Lake City Board of Education could use large quantities of food supplies and equipment which would remove the necessity or possibility of such materials getting on the public market, and at the same time any saving in the purchase of commodities would reflect directly to the taxpayers.

Trusting such a program will be given consideration by your committee, we are,

Sincerely yours,

GUS P. BACKMAN, *Secretary.*

FORT KENT HIGH SCHOOL,
Fort Kent, Maine, August 21, 1944.

Senator JAMES E. MURRAY,
Washington, D. C.

MY DEAR SENATOR: I am writing to you regarding the disposal of some of the war material after the cessation of hostilities. In the past, the education of many students in communities like ours have been off balance due to the lack of material, which would have made possible the introduction of new courses. These courses would have been intrumental in keeping many who left school in school. The proper disposal of some of the material will help to correct this situation. You have an excellent opportunity to perform a worth-while duty to the youth of this country.

Thank you for your time and attention.

Yours most sincerely,

STEPHEN J. DROTTER, *Principal.*

STERLING PUBLIC SCHOOLS,
Sterling City, Tex., August 22, 1944.

DEAR SIR: I understand the National Education Association has asked Congress to pass legislation which will make surplus supplies of the armed forces such as motion-picture projectors, radios, etc., available to the schools as soon as they have served their purpose. I heartily endorse this plan, and would appreciate your support of such a bill, and feel sure your constituents are also in favor of such action.

Very truly yours,

O. T. JONES.

MOUNT VERNON CITY SCHOOLS,
Mount Vernon, Ohio, August 22, 1944.

Senator MURRAY,
Washington, D. C.

DEAR MR. MURRAY: Members of the Mount Vernon, Ohio, City Board of Education and the superintendent of schools favor and urge your support of legislation to make surplus equipment available to schools without cost.

We believe you know the work of our public schools well enough to have the assurance that equipment directed to the schools of our Nation will be used efficiently and well.

Very truly yours,

J. D. GEIGER, *Superintendent.*

ALLIANCE PUBLIC SCHOOLS,
Alliance, Ohio, August 22, 1944.

Hon. JAMES E. MURRAY,
Senate, Washington, D. C.

DEAR MR. MURRAY: This letter is in regard to the proposed bill regulating the disposal of surplus war property. I take this opportunity to urge that you use your influence to make these materials free to schools in cases where schools can use them and need them.

The school districts of our Nation are using all their available funds to keep the schools open and few will have sufficient money to buy needed equipment

even when it is available. Science equipment, shop equipment, typewriters, maps, visual aids, and many other items are urgently needed and would be used to better educate our youth as well as the returning servicemen.

Very sincerely yours,

RUSSELL E. SCHAFER.

BOARD OF EDUCATION,
Briarcliff Manor, N. Y., August 23, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the Senate Committee on Military Affairs,
Washington, D. C.

DEAR SIR: I consider it a privilege as well as a duty to urge you to give your support to legislation which will make surplus war property suitable for educational use available without cost to schools and colleges. I do not know of any better way or more deserving way of disposing of such property. My interest in this matter is aroused on account of my being a member of a public school board.

Very truly yours,

BOARD OF EDUCATION,
AMOS T. BAKER, *President.*

THE FIRST METHODIST CHURCH,
Cuyahoga Falls, Ohio, August 23, 1944.

Senator JAMES E. MURRAY,
The Senate, Washington, D. C.

My DEAR SIR: As one vitally interested in a stronger public school system, may I urge support of any possible legislation enabling our public schools to benefit by distribution of surplus war equipment and material.

Sincerely and respectfully yours,

SIDNEY A. MAYER, *Pastor.*

DETROIT PUBLIC SCHOOLS,
DIVISION OF INSTRUCTION,
Detroit, Mich., August 23, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the Senate Committee on Military Affairs,
Washington, D. C.

MY DEAR SENATOR: As a person connected with education, I am sincerely interested in the distribution of surplus war materials which would be of value to the schools of the Nation. I am writing to ask your support of legislation which would make available to schools and colleges throughout the country any surplus war property which is suitable for educational use.

I sincerely feel that such a distribution of these materials would be a sound manner of meeting the problems which arise in any plan for releasing to the public equipment and supplies which will be of no further use to our military services.

Very truly yours,

ARTHUR STENIUS,
Coordinating, Visual, Radio, and Safety Education.

PAINESVILLE PUBLIC SCHOOLS,
Painesville, Ohio, August 24, 1944.

Senator JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the Senate Committee on Military Affairs,
Washington, D. C.

DEAR SENATOR MURRAY: In common with other educators throughout the country, may I strongly urge you to support legislation which will make

surplus war property suitable for educational use available to schools and colleges.

Very truly yours,

L. L. DICKEY,
Superintendent of Schools.

BOARD OF EDUCATION,
MIDDLETOWN PUBLIC SCHOOLS,
Middletown, Ohio, August 24, 1944.

Hon. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee of the
Senate Committee on Military Affairs,
Washington, D. C.

MY DEAR SIR: On behalf of the public schools of the city of Middletown, Ohio, may I respectfully urge you to support the legislation now before our Congress, which will enable the surplus war property which is suitable for educational use to be made available for schools and colleges?

We believe this is the proper thing to do because the public has already paid for this material through taxes, the purchase of bonds, etc., which would justify the transfer of this material from one Government function to another.

It is also true that we are desperately in need of this equipment. Our program of expansion has been curtailed because of the war. Our equipment now in use is in a bad state of repairs and needs replacement in many instances. Our school funds are so low that it takes all the money available for the operation of schools and there is little left to supply much needed new equipment and repairs.

Personally, I believe you would be rendering the youth of America a great service if you support this legislation. The children of today are "our Nation in the making." They have already suffered much from the war. It is our duty and responsibility to do for them everything we possibly can.

Yours very truly,

BOARD OF EDUCATION,
G. L. KEMP, *President.*

WASHINGTON, D. C., *August 25, 1944.*

Senator JAMES E. MURRAY,
Committee on Military Affairs,
United States Senate, Washington, D. C.

DEAR MR. MURRAY: Both my husband and myself are intensely interested in the future of education in this country on behalf of ourselves and our two small children. We are also interested in hospitals and other health institutions as they affect our future lives.

It is our understanding that surplus war property may be so disposed of, by donations, as to promote both health and education without seriously affecting business.

We wish to urge you to support any legislation that will make available, without cost, surplus property to the health and educational institutions of this country.

Very sincerely yours,

MRS. GEORGE M. DINKLE.

TORONTO PUBLIC SCHOOLS,
Toronto, Ohio, August 28, 1944.

Senator JAMES E. MURRAY,
Chairman War Contracts Subcommittee of the Senate Committee on Military
Affairs, United States Senate Office Building,
Washington, D. C.

DEAR SIR: In these days there is much talk of surplus war materials. I believe you, as a Senator, appreciate that schools have had an exceedingly difficult time financially during this period of war. Living costs have gone up, income tax

has been levied on teachers, and cost of materials and fuel necessary for the operation of schools has advanced.

In the reconversion period following the war, the schools will be asked to play a major role. In this program much of present surplus war material can be used. It would seem only right and just that materials that have already been purchased for war and are no longer to be used for that purpose should be used in training for reconversion. Our schools have always lacked an adequate amount of physical equipment to do a superior job of instruction with materials that individuals will likely use after their school training is closed. This distribution should be made on the basis of all schools, and not simply vocational schools, inasmuch as the post-war training program will be much broader than the present vocational program.

By devoting as much of the surplus war commodities as possible into the educational field, the problem of just disposition of this material at the close of the war will partially be solved and the public will be getting use of that portion of it for the training of youth.

I trust your position will be in sympathy with the great cause of education.

Yours respectfully,

D. B. METZGER, *Superintendent.*

THE UNIVERSITY OF MONTANA,
MONTANA STATE COLLEGE,
Bozeman, August 28, 1944.

The Honorable JAMES E. MURRAY,
United States Senate Building, Washington, D. C.

DEAR SENATOR MURRAY: Sometime ago I wrote you with regard to the possibility of having a bill introduced in the legislature to make possible the sale, at a very low figure, of surplus equipment such as electric generators, motors, transformers, Diesel engines, and machine-shop equipment such as lathes, shapers, electric welders, octane-testing equipment, etc. This letter is just to remind you that we are still intensely interested in the possibility of securing some of this equipment, either as a gift to colleges, or to be made available at some low figure, of say 15 percent of the original cost to the Government.

I do not know of any use to which this equipment could possibly be made which would give a bigger return on the investment.

Sincerely yours,

E. W. SCHILLING,
Dean, Division of Engineering.

TEXAS COLLEGE OF ARTS AND INDUSTRIES,
Kingsville, Tex., August 29, 1944.

The Honorable JAMES E. MURRAY,
United States Senate Office Building, Washington, D. C.

DEAR SIR: The Texas College of Arts and Industries is greatly interested in the movement which is taking form for the securing of supplies developed for military purposes which can readily be used for educational purposes. These include aeronautic equipment, electronic equipment, visual aids, radio instruments, musical instruments and supplies, shop tools and equipment, laboratory equipment, transportation equipment, and even such teaching materials as books.

In view of the fact that the colleges and universities of the country have had to operate for the past 2 or 3 years on reduced income and also without being able to replenish much of their needed supplies, I am asking that you place the name of this institution on your list as one definitely interested in favorable action by Congress on such sound legislation as may be developed.

I am sure that the majority of citizens in our country agree that the use of such equipment by educational institutions to a reasonable amount be much better than having it released for profiteering by economic scavengers such as occurred at the conclusion of World War I.

Yours very truly,

E. N. JONES, *President.*

SALEM CITY SCHOOLS,
Salem, Ohio, August 29, 1944.

Hon. JAMES E. MURRAY,
War Property Committee, Senate Office Building,
Washington, D. C.

MY DEAR SENATOR: With the close of armed hostilities there will be a surplus of many war materials which can be put to excellent use by the public schools of the United States.

As one charged with the procurement of materials for education I wish to urge that surplus war materials be made available to public schools without cost other than the necessary administration and transportation charges.

Very truly yours,

E. S. KERR, *Superintendent of Schools.*

GARFIELD HEIGHTS CITY SCHOOLS,
Cleveland, Ohio, August 30, 1944.

The Honorable Senator JAMES E. MURRAY,
Senate Office Building, Washington, D. C.

DEAR SENATOR MURRAY: I am writing you, at the suggestion of our board of education, to indicate our interest in the possibility of securing surplus war property for educational use. We understand that items representing billions of dollars of the taxpayers' money—many of which are sorely needed and can be used by the public schools—will be available for distribution after the termination of hostilities.

I need not attempt to state the case for our educational institutions. It is quite evident that the public schools, the colleges, and universities of this country will need supplies of the kind that will be available in quantities as they have never needed them before. Many school districts, such as our own, have been deprived of essential supplies of this character for the past several years because of financial reasons or because of the fact that strategic metals and materials used in their manufacture were needed by war industries. The conclusion of this war will obviously find thousands of schools and colleges in dire need of the type of equipment that will be listed as surplus war property. The release of this material to tax supported institutions would expedite replacements and would help boards of education tremendously in the matter of conserving school revenues for the payment of salaries which will be needed to attract competent teaching service.

Your aggressive interest in supporting legislation designed to release property of this kind for educational use will be valued greatly.

Yours very sincerely,

HAROLD R. MAURER,
Superintendent of Schools.

NATIONAL SCHOOL SERVICE INSTITUTE AND
ASSOCIATION OF MANUFACTURERS AND DISTRIBUTORS,
OF SCHOOL SUPPLIES AND EQUIPMENT,
September 8, 1944.

Representing 85 percent of school supplies and equipment industry, we earnestly favor transfer without cost either by law or regulations materials to school on basis of need.

Thousands of schools are destitute, supplying them would not disturb market. It would help to establish equality of educational opportunity.

Signed by H. F. MARTIN, *President.*
L. E. PARMENTER, *Executive Manager.*

QUESTIONS FOR DISCUSSION PURPOSES ON GOVERNMENT SURPLUSES AVAILABLE FOR FARM USES

JULY 7, 1944.

1. (*a*) How can appropriate prices be arrived at for machines, tools, trucks, and tractors, etc., which are declared to be surplus war property?

(*b*) Should such properties be sold through manufacturers, wholesalers, and jobbers? What percentage of the sales price would be a fair differential for their services? How does this compare with past profits?

(*c*) Should there be any preference given to cooperatives? Should that proference take the form of price differentials, priorities, etc.?

(*d*) What other terms and conditions would you put in the sales contract?

2. Preparation of farm machinery and equipment for commercial sale involves storage, shipping, maintenance, repair, and other care and handling charges as well as long delays. Agencies like the Forest Service, the Soil Conservation Service, and the Bureau of Reclamation, are ordinarily required to get an appropriation from Congress when they want material. Do you consider it preferable for those agencies to be able to procure surplus farm machinery and equipment by direct transfers from other Government agencies, without waiting for congressional appropriation and the processes of commercial sale and purchase?

3. What type of machine tools do farmers want? Can farmers use jeeps and how many? Are there other types of property for which agricultural uses could be developed?

4. (*a*) Should former owners of agricultural land be given the opportunity to repurchase their farms when such land becomes surplus?

(*b*) Should such former owners be given a chance to buy comparable units in the same farming community? Should they be given a chance to buy additional units in order to enlarge their holdings to family size farms?

(*c*) Should operating tenants be given similar opportunities?

(*d*) Should efforts be made to resubdivide large tracts of land under Government control into more economic farming units? How far should this process go?

(*e*) What agency should be in charge of selling (1) agricultural land; (2) farm machinery and equipment; (3) other surpluses?

5. It has been pointed out that anhydrous ammonia plants can be used to make fertilizer. There are also possibilities of utilizing surplus war plants to produce insecticides, fungicides, and other sprays.

(*a*) Can you suggest similar projects in your own State or other areas?

(*b*) Where should such plants be located with respect to the farm areas that they service?

(*c*) What existing commercial plants might they compete with? What abuses on the part of existing facilities would they serve to remedy?

(*d*) If wartime plants are to be converted to the production of fertilizers, insecticides, or other products of use to the farmer, should they be sold or leased? Should they continue to be run by the Government, or should they be offered to farm cooperatives or other business groups?

(*e*) How much labor could such plants absorb, and what is the adequacy of local facilities for housing, transportation, etc., of such workers?

(*f*) What would be the reaction of business and labor groups toward such a program?

6. Does your area need surplus lumber, heating equipment, plumbing, etc., for farm housing? What is the most feasible method for making such facilities available?

7. Can rural areas utilize surplus medical supplies and equipment? How would this fit in with a long-run health program?

8. Do you favor rendering surplus equipment available to colleges, universities, and schools for teaching and training purposes? Should such institutions be required to pay current market prices or should they be given some form of preference? Should the Federal Government be authorized to donate such equipment?

REPLIES TO QUESTIONNAIRE ON FARM USES

SPOKANE, WASH., *July 25, 1944.*

Senator JAMES MURRAY,
Washington, D. C.

DEAR SIR: As chairman of a committee of 10 for the redistribution of Government surplus equipment to mines, farmers of all types, and manufacturers in and around Spokane and the Inland Empire, I wish to answer your bulletin dated July 7, 1944, on the Questions for Discussion Purposes on Government Surpluses Available for Farm Uses.

1. (*a*) By allocating a number of pieces of equipment enough for four counties to a responsible business house. The house to appraise the equipment (unless it be new) and distribute it to farmers of all types, mines, and industrial plants throughout the Inland Empire.

The value of the equipment should be sold for an approximate 40 percent of its new value for new equipment and used equipment to be appraised here in Spokane and the price to be dependent upon the amount of work that has to be put on this equipment to make it useable.

(*b*) We strongly suggest that this equipment for redistribution to be given to Electric Smith, who has been in business for 20 years in this district. They are very familiar with the wants and needs of the mines, industrial plants, and farmers through this district. The equipment should be handled along the following line: The company to put up a bond to cover all material allocated this district and make a report to the head agency every 30 days with a check for the amount of material that was sold during that month. The company is in a very nice position to handle this equipment as far as repair work goes. They have a department that takes care of trucks and with this department there is a lathe, acetylene welder, and electric welder, and it is organized to handle this type of business. The volume of business this company had in 1943 was approximately $500,000.

As a suggestion they could handle this business for 15 percent of gross sales. That would include the sales and the collection of the accounts.

I am the superintendent of the motor shop and motor sales department. This is just an explanation of where I stand with the company.

(*c*) The committee believes that in selling a quantity of equipment to cooperatives that they should get a discount from the selling price to cover their handling expenses.

(*d*) No terms should be put in the contract. The material should be sold for cash as the customers in this district are very well able to stand on their own feet and pay for the equipment they need. If they need additional money to pay for this equipment there are a number of borrowing agencies already set up to handle this part.

2. Agencies like the Forest Service, Soil Conservation, and Bureau of Reclamation and other Government agencies should pay for the equipment like any individual. If they need money to pay for this equipment they can borrow it from the Government source of money supply.

3. The farmers in this district need jeeps, trucks, air compressors, lathes, and shop tools of all types.

4. (*a*) They should be given the opportunity providing they can show that they are capable farmers and good workers.

(*b*) Yes; providing they are honest and good workers.

(*c*) Yes.

(*d*) Yes. As to how far it should go, we don't feel qualified to answer.

(*e*) We have answered this under 1(*b*).

5. This type of plant the committee is not familiar with and we hesitate to suggest how to handle it.

(*b*) Spokane is the center of one of the largest farming and industrial sections of the Northwest. It is the center of all railroads and bus lines and would be the logical place for any type of manufacturing plant for fertilizer in this district.

(*c*) There would be no competition with any plants of this type as there are none in this district.

(*d*) The committee believes that this type of plant should be run by the State, and not by the Federal Government as it is our opinion that material manufactured by the States should be operated by the State and not by the Federal Government; as the State is in closer contact with the needs of the district.

(*e*) It is impossible to tell how much labor would be used on this type of plant, but it would be approximately a 50-man job.

(*f*) There would be no reaction as far as the ordinary businessman and labor groups go; but there are always a lot of die-hards in all political and labor groups; and as the country is going to proceed and benefit the majority, these small groups must be overlooked.

6. This area needs heating equipment, plumbing supplies for farm houses and especially so for barns and workshops. The most feasible way to handle this is through the State and through the county commissioners in the various counties.

7. Same as 6.

8. We believe that all equipment that universities and schools need for teaching and training should be awarded to them by the Federal Government

free plus the overhead expense the Government must go to to handle this equipment.

Respectfully yours,

H. S. MARTINEZ,
Chairman of a Committee of 10.

COLORADO FARM BUREAU, INC.,
Denver, Colo., August 14, 1944.

1. (*b*) No.

(*c*) Yes.

(*d*) That they be put to good usage, actual farm use such as, leveling land, conserving land timber, better roads, or any other job to help, to better the standards of living.

2. Bureau of Reclamation, Forest Service, and Soil Conservation Service should be able to procure surplus farm machinery direct.

3. Farmers want large numbers of jeeps, tractors, trucks, pick-ups, refrigerators, and small buildings.

4. (*a*) Yes.

(*b*) Yes to both questions.

(*c*) Yes, when proven to have ability.

(*d*) Returning military men should have chance at economic units.

(*e*) Bipartisan boards should sell land and agriculture groups should have a voice in the disposal of farm machinery and other agriculture surpluses.

5. (*a*) No.

(*b*) No answer.

(*c*) None in Colorado.

(*d*) Such businesses should first be offered to farm cooperatives and other business groups.

(*e*) Not familiar on it.

(*f*) Good.

6. Yes; through local dealers at a reasonable price, as these dealers have not been able to carry stocks for local demands; therefore, need consideration.

7. Yes; this is what the long-run health program needs.

8. Yes; but these schools be required to pay a reasonable amount for these commodities.

Respectfully submitted.

HARVEY G. JOHNSON, *Secretary.*

DEPARTMENT OF AGRICULTURE,
FARM SECURITY ADMINISTRATION,
Casper, Wyo., August 28, 1944.

Senator JAMES E. MURRAY,
Committee on Military Affairs, United States Senate,
Washington, D. C.

DEAR SENATOR: The following are recommendations made by the Natrona County Federal Security Administration advisory committee on the disposal of Government surpluses available for farm use.

1. (*a*) Appraisal by competent and qualified persons and based on the physical condition at the time of appraisal.

(*b*) Properties probably should be distributed through jobbers or wholesalers at a profit based on a percentage of the appraised value and not to exceed profits earned in the past for like services.

(*c*) No preference to be given cooperatives.

(*d*) Contracts would vary depending on whether the equipment was rebuilt and reconditioned. Profits should not be based on a percentage of over-all cost as to labor and material used; in other words, cost-plus would have a tendency to increase the cost of the equipment beyond its value to the consumer.

2. The committee feels that it is preferable to transfer equipment from one Government agency to another and if an appropriation has been made the appraised value of the equipment should be charged against the appropriation, otherwise a transfer could be made as a transfer of inventory.

3. Nearly every farmer could use a jeep. Welding equipment and blacksmith tools can be used by farmers.

4. (*a*) Former operators of lands acquired by the Government should be allowed to repurchase land sufficient for a family sized farm.

(*b*) The sale of all agricultural lands should be based on family sized units.
(*c*) Tenants should be given similar opportunities.
(*d*) All large tracts of land should be subdivided into economic units; the size to depend on the type of agriculture carried on in the community.
(*e*) Farm Security Administration or Department of the Interior could take care of the sale of all surpluses available for farm use.

5. There are no factories making ammonia in this community and no war plants that can be reconverted for the making or insecticides.

6. This area needs surplus lumber, heating equipment, and plumbing. We favor the same method of distribution and sale as outlined in 1 (*a*) above.

7. Some communities could use surplus medical supplies and equipment, especially where new hospitals are needed and would have favorable results on the long-time health program.

8. Surplus equipment should be made available to all land-grant and tax-supported colleges for the purpose of training and teaching. The Government should be authorized to donate such equipment according to need.

We hope the above recommendations will be of value to you in working out a fair and equitable distribution of Government surpluses.

Yours respectfully,

ERNEST V. BEAVER,
District Farm Security Administration Supervisor.

DEPARTMENT OF AGRICULTURE,
FARM SECURITY ADMINISTRATION,
Delta, Colo., August 31, 1944.

Subject: Questions for discussion purposes on Government surpluses available for farm uses.

Senator JAMES E. MURRAY,
Committee on Military Affairs, United States Senate, Washington, D. C.

We submit herewith our reply to the questionnaire on the above subject. We are attaching a copy of the questionnaire and the answers are in the same order as they appear on the questionnaire.

1. (*a*) Some price control setting up ceiling prices similar to present Office of Price Administration regulations pertaining to used equipment. Such control precluding against heavy margins between the amount paid to the Government and the amount paid by the user.
(*b*) Through ordinary channels of distribution making it available to the user at as nearly retail prices as possible. Under no condition must this exclude co-operatives or other qualified distributors even though they have not previously been engaged in distribution of such properties. Do not freeze the business economy. Some arrangements should be possible without turning it over to speculation.
(*c*) Preference should be given to cooperatives. True farmer cooperatives to be given first opportunity to handle articles needed for farm use, inasmuch as such cooperatives are owned by farmers. There should be no price differential made to cooperatives.
(*d*) None.

2. Yes. Providing such agency can show definite need for the equipment and that it will be put to practical use.

3. Shop tools, hand tools, all kinds of carpenter tools. A limited number of jeeps might be advantageous to livestock men where feeding and tending of livestock necessitates hauling and traveling over rough country. It is our opinion that the jeeps would be practical for many farm uses if priced considerably below small row-crop tractor. The same might apply to half-tractor trucks.

4. (*a*) Yes. To the extent of family size farms. It should also be determined that it is being purchased for the purpose of operating same and not for speculative purposes.
(*b*) Same as 4 (*a*).
(*c*) Yes.
(*d*) Same as 4 (*a*).
(*e*) The agency with past experience in the selling of the particular item. For example, it seems practical for the Farm Security Administration to handle the selling of agricultural land because of their past experience in the tenant-purchase program, possibly the Commodity Credit Corporation would be in a position to handle the selling of farm equipment and machinery with preference being given to farmer cooperatives as buyers.

5. (*a*) We understand that there are two arsenal plants in Denver, which might be converted into the making of fertilizer or insecticides.
(*b*) It is probable that Denver could adequately serve the entire State of Colorado and the demand from agricultural areas in the State would justify the permanent operation of such a plant.
(*c*) Same as 5 (*d*).
(*d*) In the past tremendous profits have been made in this material by private concerns with the result that the soils most needing this material have gone without it. Fertilizer is to the soil as medicine is to the sick. This material should be handled on a strictly nonprofit basis, possibly through existing farmer cooperatives or if necessary by the Government. This material is so important to future production and soil conservation that the opportunity should not be overlooked to set up such a plant, using it as a yardstick in arriving at some permanent control of cost of these materials.
(*e*) The labor, housing, transportation, etc., in connection with such plants would not be a problem in normal times.
(*f*) It should be favorable.

6. Yes. The use and expansion of cooperative distributors wherever practical. To make such a program effective it should also be provided that credit is available to the cooperative in charge.

7. Should be made available to all needy areas, keeping in mind the staggering need for medical supplies in rural areas. Every effort should be made to use these supplies and equipment in the strengthening of present rural health associations and in furthering the development of additional rural health programs. In this connection, it will also probably be practical for the Government to place Government-owned hospitals in many rural areas where adequate hospitalization is not available.

8. We favor rendering surplus equipment to colleges, universities, and schools for training purposes. We can see no objection to the Federal Government being authorized to donate such equipment where it is to be used for educational purposes.

Yours very truly,

ALBERT C. TINSLEY, *Committeeman.*

DEPARTMENT OF AGRICULTURE,
FARM SECURITY ADMINISTRATION,
Sundance, Wyo., August 23, 1944.

Hon. JAMES E. MURRAY,
Committee on Military Affairs, United States Senate,
Washington, D. C.

DEAR SENATOR MURRAY: We have been asked to give you our opinion and answers to the following questions:

1. (*a*) How can appropriate prices be arrived at for machines, tools, trucks, and tractors, etc., which are declared to be surplus war property?

Answer. We believe that property should be sold direct to the ultimate consumer for the highest cash bid.

(*b*) Should such properties be sold through manufacturers, wholesalers, and jobbers? What percentage of the sales price would be a fair differential for their services? How does this compare with past profits?

Answer. We believe the property should be sold through the Quartermaster Department of the Army. We do not feel competent enough to say what would be a fair percentage of sales price, or answer the rest of this question.

(*c*) Should there be any preference given to cooperatives? Should that preference take the form of price differentials, priorities, etc.?

Answer. We feel no preference should be given cooperatives.

(*d*) What other terms and conditions would you put in the sales contract?

Answer. That the machinery should be sold only to the consumer and that he sign an agreement he was not buying for resale.

2. Preparation of farm machinery and equipment for commercial sale involves storage, shipping, maintenance, repair, and other care and handling charges as

well as long delays. Agencies like the Forest Service, the Soil Conservation Service, and the Bureau of Reclamation, are ordinarily required to get an appropriation from Congress when they want material. Do you consider it preferable for those agencies to be able to procure surplus farm machinery and equipment by direct transfers from other Government agencies, without waiting for congressional appropriation and the processes of commercial sale and purchases?

Answer. We believe that Soil Conservation Service, Forest Service, and Bureau of Reclamation should be granted any machinery or other supplies that they can use without going through any congressional appropriation.

3. What type of machine tools do farmers want? Can farmers use jeeps and how many? Are there other types of property for which agricultural uses could be developed?

Answer. Farmers can use all the lighter types of machine tools. Farmers are very much interested in securing jeeps and can use them to an almost unlimited amount.

4. (*a*) Should former owners of agricultural land be given the opportunity to repurchase their farms when such land becomes surplus?

Answer. Former owner-operators of agricultural land should be given the opportunity to repurchase their farms.

(*b*) Should such former owners be given a chance to buy comparable units in the same farming community? Should they be given a chance to buy additional units in order to enlarge their holdings to family-size farms?

Answer. Former owners should be given a chance to buy comparable units in the farming community if it did not interfere with the rights of some other former owner and they should be allowed to and encouraged to buy additional units in order to enlarge their holdings to family-size farms provided they were not jeopardizing some other former owner.

(*c*) Should operating tenants be given similar opportunities?

Answer. Tenants should have a chance to purchase if it does not conflict with a former operator's desire to purchase the land.

(*d*) Should efforts be made to resubdivide large tracts of land under Government control into more economic farming units? How far should this process go?

Answer. We are definitely of the opinion that large tracts should be divided into economic units. As to how far a control process should go would depend a great deal on local situations. The land should be divided up by some agency of the Department of Agriculture, subject to the local approval of a board of operating farmers.

(*e*) What agency should be in charge of selling (1) agricultural land? (2) farm machinery and equipment? (3) other surpluses?

Answer. We feel the Department of Agriculture should be in charge of selling agricultural land and it should handle it through joint action of the Federal land bank and the Farm Security Administration.

5. It has been pointed out that anhydrous ammonia plants can be used to make fertilizer. There are also possibilities of utilizing surplus war plants to produce insecticides, fungicides, and other sprays.

(*a*) Can you suggest similar projects in your own State or other areas?

(*b*) Where should such plants be located with respect to the farm areas that they service?

(*c*) What existing commercial plants might they compete with?

(*d*) If wartime plants are to be converted to the production of fertilizers, insecticides, or other products of use to the farmer, should they be sold or leased? Should they continue to be run by the Government, or should they be offered to farm cooperatives or other business groups?

(*e*) How much labor could such plants absorb, and what is the adequacy of local facilities for housing, transportation, etc., of such workers?

(*f*) What would be the reaction of business and labor groups toward such a program?

Answer. We do not feel the Government should own these plants any longer than possible and that they should be turned over to either cooperatives or private ownership as quickly as possible, but that the Government should get a fair price for the appraised value of the plant.

6. Does your area need surplus lumber, heating equipment, plumbing, etc., for farm housing? What is the most feasible method for making such facilities available?

Answer. Our area does need surplus heating equipment, plumbing, large quantities of wire, and so forth, for farm uses of all kinds, and we believe that if this was shipped to some quartermaster depot nearby and sold to the ultimate consumer there would be little trouble in getting rid of the surpluses.

7. Can rural areas utilize surplus medical supplies and equipment? How would this fit in with a long-run health program?

Answer. Our area in particular badly needs medical equipment and supplies. If it was possible for our county to get some of the surplus hospital equipment, we feel it would be a tremendous step along the road in the right direction for a long-time health plan.

8. Do you favor rendering surplus equipment available to colleges, universities, and schools for teaching and training purposes? Should such institutions be required to pay current market prices or should they be given some form of preference? Should the Federal Government be authorized to donate such equipment?

Answer. We feel that enough surplus equipment should be donated to schools and colleges to meet 50 percent of their needs; that if this was done it would encourage them to buy what else they needed and they wouldn't ask for more than they need and would take better care of what they got than if it was all donated to them.

We are glad to furnish you with our opinion and trust it will be of some value to you in the big job you have ahead of you.

Very sincerely yours,

W. F. NEWLAND,
Committee Chairman.

DEPARTMENT OF AGRICULTURE,
FARM SECURITY ADMINISTRATION,
Ordway, Colo., September 1, 1944.

Senator JAMES E. MURRAY,
Committee on Military Affairs, United States Senate,
Washington, D. C.

Subject: 14 (Questions for Discussion Purposes on Government Surpluses Available for Farm Uses).

1. (*a*) Appropriate prices can be arrived by an appraisal value established by an expert committee based on the condition of machine, tool, or vehicle to be sold.

(*b*) The property to be sold should be disposed of through special agencies so as to ban any speculation or grafting.

(*c*) Yes; there should be preference given to cooperatives. This should be given in the form of priorities.

(*d*) The item to be sold should be sold "as is" and on a strictly cash basis. You might think this will not give the man without money a chance; this is not true. There are many agencies that would finance this man if his case warrants the machine.

2. If these agencies are to procure surplus farm machinery, I say "Yes," they should do this by direct transfers. I believe they should only be able to get farm machinery after the farmer has taken all he can absorb.

3. Farmers can use trucks, tractors, jeeps, and heavy dirt-moving equipment. The large equipment, as the dirt movers, will have to be owned by cooperatives. Farmers can use many jeeps. In this county (Crowley) we could use at least 100. I would say that an average of 1 out of every 4 farms would buy one.

4. (*a*) Yes; former owners should be given the opportunity to repurchase their farms when such lands become surplus.

(*b*) Yes; former owners should be given the chance to buy comparable units in the same farming community, but only after the original owner turns down this chance. They should be given the chance to buy family sized units.

(*c*) Yes; operating tenants should be given the same opportunities.

(*d*) Yes; the large tracts of land should be resubdivided by the Government; but the lands should not be under Government control. A family sized unit and local conditions should be the prime factor of subdivision.

(*e*) Farm Security is well equipped to handle the sale of agricultural land, farm machinery, equipment, and other surpluses.

5. (*a*) Our community needs an egg-drying plant and should be owned by a cooperative as Farmers Union.

(*b*) They should be located in the Arkansas Valley in Pueblo and in the Platt Valley in Denver.

(*c*) There would not be any competition with existing plants. We have no plants of this kind that I have knowledge of.

(*d*) The first choice of an operator for the wartime plants is a farm cooperative which should be sold with a long-time loan. The second choice would be the plant being operated by the Government.

(*e*) I have no knowledge of the amount of labor that such plants could absorb, but housing and transportation would be no problem. We are already housing and transporting more men than these plants would absorb.

(*f*) The reaction of the business and labor groups would be very much in favor of this program. The businessmen would keep some of their wartime trade and the labor would be able to continue working in the same locality. The farmer would be more than pleased to have this convenient way of disposing of their eggs.

6. Yes; my area needs surplus lumber, heating equipment, plumbing, etc. A farm cooperative could handle this very well.

7. Yes; rural areas can utilize surplus medical supplies. We have quite a number of Mexicans in this community and our local nurse could use many supplies and equipment.

8. Surplus equipment should be donated to colleges, universities, and schools for teaching and training purposes. With the returning veterans and the other students coming on the education problem will be acute and schools will be crowded.

Sincerely yours,

JAMES L. GREEN,
Farm Security Administration Supervisor, Crowley County.

SHERIDAN, WYO., *August 29, 1944.*

Senator JAMES E. MURRAY,
Committee on Military Affairs,
United States Senate, Washington, D. C.

DEAR SIR: I am attaching the minutes of the Sheridan County Federal Security Agency advisory committee for your consideration,

In our committee meeting we discussed Government surpluses that may be available for farm use. We appreciate the problem this presents and wish to congratulate you on the study and work that you have done and are doing in this connection.

It is our hope that the opinions arrived at in our discussion on this subject will be of value to you in your work.

Very sincerely yours,

JOHN H. FOWLER,
Chairman, Federal Security Agency Advisory Committee.

At a special Federal Security Agency advisory committee meeting held Friday, August 25, 1944, the following members were present: John H. Fowler, Floyd Harper, and Ira Nash, all members of the Federal Security Agency advisory committee; Mr. Scott, local supervisor of the Soil Conservation Service; and Supervisors Carl Bingemer and Floyd Moore, of the local Federal Security Agency office. Chairman Fowler called the meeting to order at 7:30 p. m. The matter of Government surpluses that might be available for farm uses was discussed. It was the opinion of the committee that this type of machinery, tools, trucks, and other equipment which is declared to be surplus war property should be made available to the farmers under prices embodying the principles of present Price Control Act.

It was felt that this property should be available for sale to the manufacturers and wholesalers. We would eliminate sale to jobbers but would also sell direct

to users. It is our belief that all new machinery as far as practicable should be sold by the Government direct to users thus eliminating the necessity of the Government having to recondition the machinery and giving service guaranties. The manufacturers and wholesalers are in much better position to handle reconditioned equipment. As far as practical we believe that all equipment sold should be in first-class condition and sold under reconditioned equipment guaranty. We feel that no profit should exceed 20 percent and that the principles of the present Price Control Act should be applied. We feel that all users of this equipment should be given equal opportunity to purchase same and that no preference should be given to cooperatives. We feel that sale of this equipment should be restricted to wholesalers and manufacturers only insofar as to protect the public from monopoly control. We feel that all machinery and equipment sold direct to users should be done through established United States Department of Agriculture agencies.

Lists of all types of equipment should be furnished to the field offices and a certification order system established by the Department of Agriculture. We feel that credit terms should not exceed the useful life of the equipment and should draw interest at 3 percent. We feel that governmental agencies such as Forest Service, Soil Conservation Service, and similar agencies which ordinarily are required to get an appropriation from Congress for this type of material should be entitled to this equipment as well as the direct farmer users and this should be included in the United States Department of Agriculture certification. We feel that this could be done by transferring the cost of this equipment charged against the appropriate agency for the material thus received and by limiting the Department's certification to practically new machinery, tools, and equipment that are in serviceable condition; and by applying the principles of the price-control system.

Lists of this equipment could be furnished to the field at a given price which would not conflict with the prices received by wholesalers and manufacturers and this would eliminate the necessity of sale of Government property by bid. We believe that the greatest majority of this machinery and equipment should be utilized to the best advantage under lend-lease program. This would keep a considerable portion of unserviceable machinery off the American market and furnish the immediate needs of those countries devastated by war. All unserviceable machinery that it would not be practical to recondition should be taken to foundries for remelting and working into newer and more modern tools. We believe that if this machinery and equipment were dumped on American markets it would tend to retard American forward progress of the immediate application of new sciences and principles learned by our manufacturers in the preparation of our immediate war needs.

We feel that all machinery and equipment and tools should be carefully cataloged as to their possible value for agricultural use. A number of these should be converted for this purpose. We are not in position to know what jeeps are capable of doing. We believe that with proper education and proper servicing facilities in our community that there is a definite place for a large number of these machines. We feel that heavy equipment should be made available for land leveling, ditch and reservoir construction, and all other types of jobs that the United States Department of Agriculture is interested in and that those Government agencies that the Government took machinery away from when the war was declared should be the first to receive similar types of equipment.

We feel that much of the electrical materials and equipment could be converted to Rural Electrification Administration for the enlargement of the system. We feel there is a definite need for the enlargement of the rural telephone system. A definite correlation of such a telephone system service would be constructive post-war planning.

Every farm community should have adequate fire-fighting facilities. This may be a place for jeeps in addition to use as haying tools, etc. There are, no doubt, many other post-war uses of this equipment. Beds, mattresses, and clothing, if properly distributed on the basis of need, would be the realization of our country's fulfillment of the "four freedoms."

We feel that all agricultural lands around Army posts that are no longer needed for Army purposes should be returned to agricultural uses at the earliest possible opportunity. We believe that this program should be identical with the tenant purchase program now operated by the Farm Security Administration.

The primary consideration in the distributing of this land should be the division into family size units, sold on a credit basis within owner's ability to repay. We feel that consideration should be given the former residents who were dislocated by the war; however, we believe the final consideration of each applicant should be based on his ability and that this is the American way to sound agriculture. We feel that all applications should be thoroughly investigated. We feel that all purchasers must plan to make their living from the soil and must establish actual residence. In developing plans for the best possible use of this land before subdividing into economic size individual farm units the best brains of the United States Department of Agriculture should be utilized and a complete system of soil-conservation practices set up for the area.

We feel that in addition to working out a sound agricultural program, based on family size economic units for agricultural land acquired for war purposes, that a complete review of all agricultural land now held by the Government should be undertaken with the ultimate aim to establish private control of these grounds based on a family farm unit system which will support the most people and get the greatest production and use from this land.

In the West there is unlimited opportunity for this type of work. At Sheridan we have a veterans' hospital which was formerly an Indian Army post. We have hundreds of families around Sheridan that do not have adequate pasture for their livestock. There is somewhere between seven and ten thousand acres in this Government reservation which we understand cannot be leased by the military authorities. As a result one or two big operators control this range at a disadvantage to several hundred families.

We believe the distribution of this Government property to be an all-departmental job; however, we feel Farm Security Administration, because of its experience in the tenant purchase program, is best equipped to handle and supervise the distribution of the agricultural lands and the training of the returned soldiers and other applicants selected to settle these areas. The Farm Security Administration has a loan program based on the useful life of machinery and equipment for persons needing credit. We believe that the nature of the equipment should determine the agency to be selected to administer its distribution—the Farm Security Administration for credit and education. There is a place for Soil Conservation Service on heavy equipment, the Rural Electrification Administration, the Forest Service, Agricultural Adjustment Administration, and Extension.

We recommend the Government extend its activities in planning new plants and converting war plants for use in producing all types of fertilizer and insecticides and bringing into production, as soon as possible, all newer types of chemical discoveries. We feel that America is a place of abundance and that the welfare of its people should be placed above the financial interests of giant corporations.

In respect to the development of power and natural resources one of the largest coal beds in the world is found in northern Wyoming and southern Montana. We feel that our Government should make it their business to see that this natural resource is properly developed.

Few of our farms have adequate labor housing facilities. Under the present lumber program farm housing and city housing must wait until sufficient lumber, heating, and plumbing and other types of equipment are made available. We feel that the Federal housing program would be the best method of keeping banks and private capital in line so that these improvements can be enjoyed by all worthy applicants.

In our county of 20,000 people we do not have a doctor located outside of the city of Sheridan in our rural areas. There is a definite need of a Federal-aided medical program in this area and they could use surplus medical supplies and equipment.

We feel that upon proper application by colleges, universities, and other schools for teaching and training purposes surplus equipment for this purpose should be made available to these institutions. We believe that the Government should be authorized to donate this type of material.

Business being completed, the meeting adjourned.

JOHN H. FOWLER, *Chairman.*

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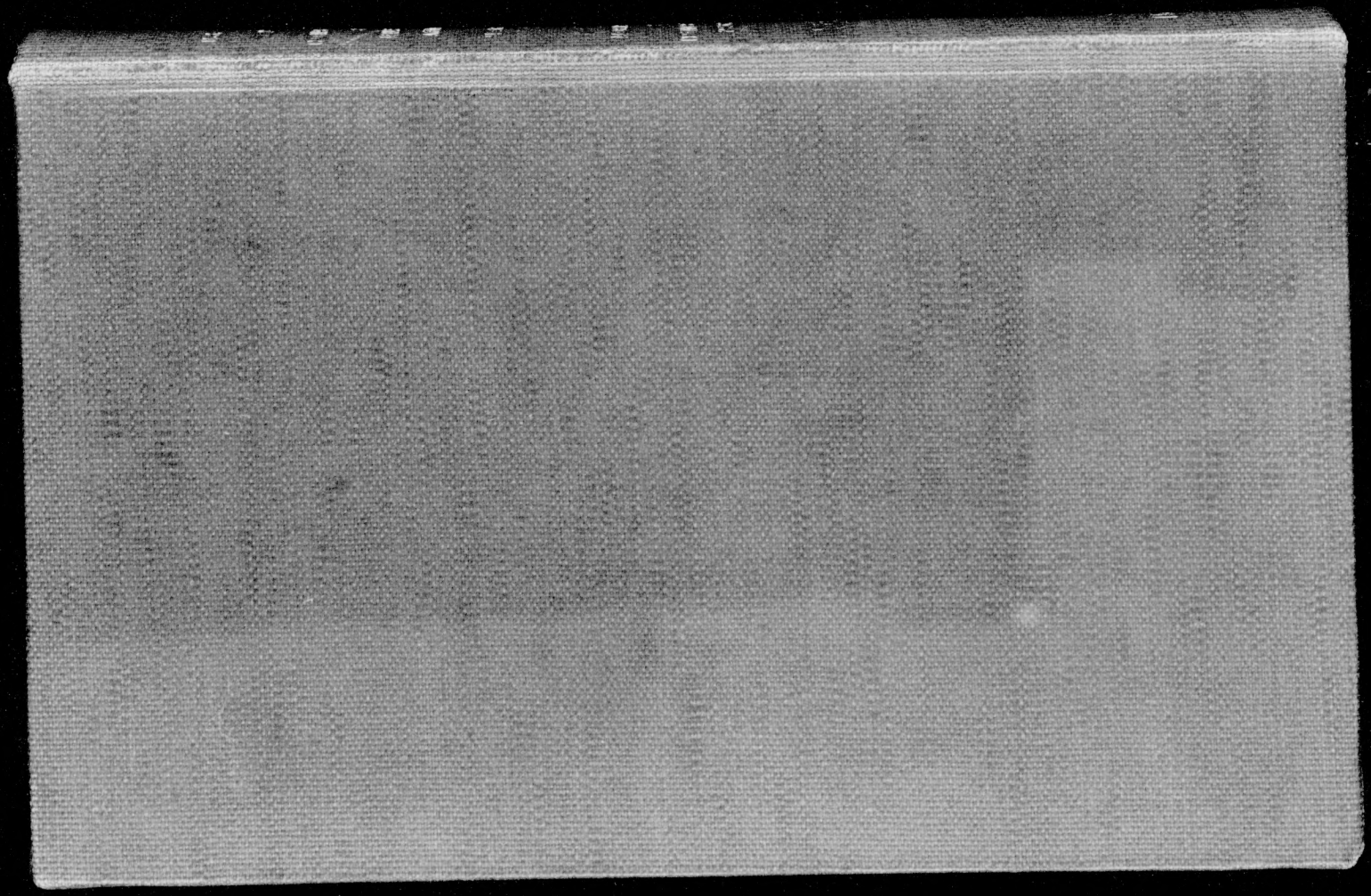

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